Supreme Court, U.S.
FILED

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IN THE

Supreme Court of the United States

GEORGE S. ALLEN,

Petitioner,

v.

HOWMEDICA LEIBINGER, INC.,
HOWMEDICA, INC. and PFIZER, INC.,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

A. Whether a three judge panel of the Federal Circuit can affirm a *sua sponte* district court decision granting summary judgment to Defendants without notice to Plaintiff, contrary to binding precedent, on issues that Defendants conceded to Plaintiff in their own motion papers.

B. Whether the panel can designate its opinion as "non-precedential" thereby enabling the Federal Circuit to act arbitrarily in ignoring a binding Third Circuit precedent as well as Supreme Court precedent prohibiting blatant breaches of due process and insulate its decisions from further scrutiny.

C. The aforementioned questions implicate at least one Constitutional issue, whether a *sua sponte* granting of summary judgment without notice and the Federal Circuit's practice of allowing panels to designate opinions as "non-precedential" violate the Fifth Amendment right to due process and equal protection.

TABLE OF CONTENTS

	Page
Questions Presented	i
Table of Contents	ii
Table of Cited Authorities	iv
Table of Appendices	vi
Reasons for Granting the Petition for a Writ of Certiorari	1
Opinions and Orders Below	1
Jurisdiction	1
Constitutional Provisions and Federal Circuit Rules Involved	2
Statement of the Case	3
1. Introduction	3
2. Proceedings Below	5
Reasons for Granting the Petition	10
1. The Panel Majority Failed to Follow Well Established Precedent That Summary Judgment Could Not Be Granted Without Notice to Plaintiff	10

Contents

Page

A. The Federal Circuit In this Case Affirmed the District Court's Decision to Look Beyond the Issues Before It in Granting Summary Judgment *Sua Sponte* Without Notice to Dr. Allen 10

B. In Another "Non-Precedential" Decision, the Federal Circuit Vacated a District Court Decision Where Litigants Were In The Identical Posture on Summary Judgment as Dr. Allen and the Defendants in This Case 12

2. The Arbitrary Selection of Opinions as Non-Precedential Treats Litigants Unequally in Violation of the Fifth Amendment 14

Conclusion 17

TABLE OF CITED AUTHORITIES

Page

CASES

Anastasoff v. United States, 223 F.3d 898 (8th Cir. 2000), *vacating as moot on other grounds*, 235 F.3d 1054 (8th Cir. 2000) (*en banc*) 16

Bemis Manufacturing Co. v. Dornoch Medical Sys., Inc., 21 Fed. Appx. 930 (Fed. Cir. 2001) .. 12, 13, 14, 17

Celotex Corp. v. Catrett, 477 U.S. 317 (1986) 10-11

Chambers Development Co. v. Passaic County Utilities Authority, 62 F.3d 582 (3d Cir. 1995) 10, 11

Festo Corp. v. Shoketsu Kinzoku Kogyu Kabushiki Co., 122 S. Ct. 1831 (2002) 4

Frazier v. Heebe, 482 U.S. 641 (1987) 15, 16

Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc., 122 S. Ct. 1889 (2002) 4

James B. Beam Distilling Co. v. Georgia, 501 U.S. 529 (1991) 4

Johnson v. Robison, 415 U.S. 361 (1974) 14

Lindsey v. Normet, 405 U.S. 56 (1972) 4

Cited Authorities

Page

Massey v. Del Laboratories, Inc., 118 F.3d 1568 (Fed. Cir. 1997) 10, 11, 12, 13

Otis Elevator Co. v. George Washington Hotel Corp., 27 F.3d 903 (3d Cir. 1994) 11

Reed v. Reed, 404 U.S. 71 (1971) 14

Royster Guano Co. v. Virginia, 253 U.S. 412 (1920) 14

CONSTITUTIONAL PROVISIONS

U.S. Const. Amend. V ..... i, 1, 2, 4, 14, 16

U.S. Const. Art. III 16

STATUTES

28 U.S.C. § 1254(1) 2

28 U.S.C. § 2072 15

RULES AND REGULATION

Fed. Cir. R. 47.6(b) 2, 15, 16

Fed. R. Civ. P. 56 ..... 11, 13

37 C.F.R. 1.56 7

TABLE OF APPENDICES

Page

Appendix A — *Per Curiam* Judgment Of The United States Court Of Appeals For The Federal Circuit Dated And Filed January 16, 2003 ..... 1a

Appendix B — Memorandum Opinion Of The United States District Court For The District Of Delaware Filed March 28, 2002 ..... 3a

Appendix C — Order Of The United States Court Of Appeals For The Federal Circuit Denying Plaintiff's Petition For Panel Rehearing And Petition For Rehearing En Banc Dated And Filed February 24, 2003 ..... 21a

REASONS FOR GRANTING THE PETITION FOR A WRIT OF CERTIORARI

1. The Federal Circuit's rules and practice regarding "non-precedential" opinions violated Dr. George Allen's rights under the Fifth Amendment.

2. The panel failed to follow well established and binding precedent concerning notice in granting summary judgment which has resulted in an arbitrary and capricious decision that treats similarly situated litigants in an unconstitutionally different manner.

Dr. George S. Allen ("Dr. Allen") prays that a Writ of Certiorari be issued to review the judgment and opinion of the United States Court of Appeals for the Federal Circuit entered in this proceeding on February 24, 2003.

OPINIONS AND ORDERS BELOW

The judgment of the United States Court of Appeals for the Federal Circuit ("Federal Circuit") is reported at 54 Fed. Appx. 697 (Fed. Cir. 2003) (per curiam) (unpublished) and is reproduced in the Appendix ("App.") at 1a-2a. The Order of the Federal Circuit denying Dr. Allen's Request for Rehearing and Rehearing *en banc* is unreported and is reproduced in the App. at 21a-22a. The opinion and order of the District Court of Delaware is reproduced in the App. at 3a-20a.

JURISDICTION

The opinion of the United States Court of Appeals for the Federal Circuit was issued on January 16, 2003 and its judgment was issued on the same day. (App. at 1a-2a).

Dr. Allen's combined Petition for Rehearing and Rehearing *en banc* was denied on February 24, 2003. This Court has jurisdiction under 28 U.S.C. § 1254(1).

CONSTITUTIONAL PROVISIONS AND FEDERAL CIRCUIT RULES INVOLVED

United States Constitution, Fifth Amendment.

> No person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentment or indictment of a grand jury, except in cases arising in the land or naval forces, or in the militia, when in actual service in time of war or public danger; nor shall any person be subject for the same offense to be twice put in jeopardy of life or limb; nor shall be compelled in any criminal case to a witness against himself, nor be deprived of life, liberty or property, without due process of law; nor shall private property be taken for public use, without just compensation.

Federal Circuit Rule 47.6(b)

> In an opinion or order which is designated as not to be cited as precedent, is one unanimously determined by the panel issuing it, is not adding significantly to the body of law. Any opinion of law so designated must not be employed or cited as precedent. This rule does not preclude assertion of claim preclusion, issue preclusion, judicial estoppel, law of the case, or the like based on a decision of a court designated as non-precedential.

STATEMENT OF THE CASE

1. Introduction

This case reflects the Constitutional violations associated with "non-precedential" decisions of an appellate court flagrantly disregarding binding precedent. This increasingly common practice relegates decisions to the hidden closets of jurisprudence making them in essence private proceedings. This "non-precedential" designation is open to serious abuse by permitting courts to hide bias and arbitrariness from public scrutiny.

The Federal Circuit's practice of designating opinions as "non-precedential" allows the Federal Circuit to selectively prevent review of its opinions while treating the litigants before it in an unconstitutionally arbitrary and unequal manner. This is particularly so here where summary judgment was granted to the Defendants Pfizer, Inc. ("Pfizer"), Howmedica, Inc. and Howmedica Leibinger, Inc. ("Leibinger")[1] in connection with their illegal acts in using a patent they knew was invalid in a predatory manner to keep the Plaintiff and its potential customers out of the marketplace. Summary judgment was granted without notice to non-movant of the issue on which the court relied and, for purposes of Defendants' motion, the issue had been conceded to the Plaintiff. The decision of the district court was reached in a flagrant disregard of the binding Third Circuit precedent which proscribes summary judgment in this fashion.

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1. Leibinger GmbH was a commonly owned German entity during the relevant time period and was the technical owner of the '457 patent. "Leibinger" is used herein to refer both to the German and U.S. companies.

The Federal Circuit's practice in sustaining such conduct violates the Fifth Amendment's right to due process and equal protection by its arbitrary treatment of similarly situated litigants. *See, e.g., Lindsey v. Normet*, 405 U.S. 56, 77 (1972) ("when an appeal is afforded, however, it cannot be granted to some litigants and capriciously or arbitrarily denied to others without violating the equal protection clause"); *James B. Beam Distilling Co. v. Georgia*, 501 U.S. 529, 544 (1991) ("when the Court has applied a rule of law to the litigants in one case it must do so with respect to all others" similarly situated.)

This case presents another instance which demonstrates the need for this Court to monitor the practices of the Federal Circuit. *See, e.g., Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 122 S. Ct. 1889, 1898 (2002) (Stevens, J., concurring in part). In *Holmes Group*, Justice Stevens recognized the duty of this Court to prevent the Federal Circuit from developing an "institutional bias":

> An occasional conflict in decisions may be useful in identifying questions that merit this Court's attention. Moreover, occasional decisions by courts with broader jurisdiction will provide an anecdote to the risk that the specialized court may develop an institutional bias. (Emphasis added).

Id. at 1898. Also, in *Festo Corp. v. Shoketsu Kinzoku Kogyu Kabushiki Co.*, 122 S. Ct. 1831, 1841 (2002), this Court admonished the Federal Circuit for ignoring this Court's precedent and thereby disrupting the subtle expectation of the inventing community.

2. Proceedings Below

Plaintiff Dr. George S. Allen, Chairman of the Neurosurgery Department of Vanderbilt University, is a nationally recognized neurosurgeon and inventor in the field of image guided surgery. Image guided surgery is a relatively new field involving hardware and software that is utilized to create three dimensional images of the anatomy for surgical and diagnostic purposes, making surgery safer, more effective and cheaper for both the surgeon and the patient. A critical component of this image guided surgery system, along with the software, is a "fiducial marker" system fixed to the anatomy to show precise three dimensional position or points within the patient, for example in the interior reaches of the brain.

Although Dr. Allen had over 15 patents in the field of image guided surgery, Defendants in this case, Leibinger and Pfizer, Inc., were able to obtain a patent which ostensibly covered Dr. Allen's fiducial markers, as well as their own. This U.S. Patent No. 5,394,457 ("Leibinger '457 patent") was then used to prevent Dr. Allen and his licensee, Picker International, Inc. ("Picker"), from introducing Dr. Allen's superior Acustar® "fiducial marker" system to the market.

In 1995, Dr. Allen learned that the Leibinger '457 patent was and had always been invalid and that Leibinger and Pfizer had known of defects in their patent since 1994. Nevertheless, Leibinger and its parent Pfizer used this invalid patent to maintain a monopoly position in the market, as Dr. Allen was the only other potential competitor in the fixed fiducial market. Because of the predatory practices of the Defendants, Dr. Allen brought an action on October 28, 1998, alleging state causes of action for spreading false and misleading

statements about their patent position in the marketplace and for tortious interference with a contractual relationship with third party Picker. Dr. Allen amended his Complaint on July 16, 1999, adding a federal cause of action under the Lanham Act.

Dr. Allen was forced to bring this action because Defendants' acts foreclosed competition in the medical device field to which Dr. Allen sought entry. In furtherance of these acts, Leibinger and Pfizer procured (through sister company Leibinger GmbH), maintained and publicly promoted a patent they knew to be invalid. As a direct consequence of Defendants' conduct, customers refused to buy technology from Dr. Allen for fear of patent litigation from any entity associated with Pfizer who is a notorious litigant.

Prior to bringing the cause of action, Dr. Allen had filed a patent application with the U.S. Patent and Trademark Office ("PTO") directed to fiducial markers he intended to sell himself or through licensees. During the course of the patent application process, Dr. Allen learned of the Leibinger '457 patent which ostensibly covered his markers. An interference was eventually declared by the PTO between the Allen patent application and the '457 patent that had issued to Leibinger. Despite knowledge that its patent was invalid, Leibinger asserted the '457 patent against the Allen patent application in an effort to deprive Dr. Allen and the public from products which would otherwise be in the public domain. It was during the course of the interference when Dr. Allen eventually learned that Defendants knew during all relevant times that the '457 patent was invalid. A German revocation proceeding was discovered which exposed the invalidity of the corresponding German patent based on a prior art reference cited in that proceeding. (App. at 5a-6a; Ldg at L-12 - L-13).

Although the invalidating prior art had been made available to Leibinger prior to the issuance of the '457 patent, that information was not submitted to the U.S. patent examiner pursuant to applicant's duty to do so under 37 C.F.R. 1.56. Similarly, during the course of the interference, Defendants made overt, explicit and conscious efforts to keep this reference away from the Board of Appeals and Patent Interferences. (Ldg at L-13 - L-14; App. at 7a-8a). After it became so apparent that its position was indefensible, Defendants finally argued to the PTO that claims of their own patent were invalid over the same reference that invalidated the corresponding German patent. Despite this admission in the interference, Defendants continued to promote their patent position in the public marketplace, pay the maintenance fee and keep its patent enforceable in an effort to restrain competition. The interference lasted from 1996 until a final decision in December 2000 when the Board of Patent Appeals and Interferences found that the entire patent was invalid and that Defendants had presented no basis for distinguishing any of the claims over the prior art.

Even though at the interference all 22 claims of its patent were declared invalid and there had been serious questions of inequitable conduct raised, the Defendants moved for summary judgment on all counts while conceding their own "bad faith." Three major issues that had to be resolved before summary judgment could be granted: (1) whether the statements and other conduct in the marketplace were "misleading" with respect to their patent position, (2) whether the defendants acted in "bad faith" with the knowledge that their statements were false or misleading, and (3) whether "literal falsity" existed with respect to their statements that their product was covered by a U.S. patent. Defendants filed

a summary judgment motion on "literal falsity" only, and did not move on any "bad faith" issues or on the "misleading" cause of action.

Dr. Allen cross-moved on the "literal falsity" issue as well while preserving his right to trial on the "misleading" conduct and "bad faith" associated therewith. In an opposition brief, Defendants acknowledged that Dr. Allen had a colorable claim on the "misleading" elements of his cause of action, stating specifically, "Allen could argue (but does not) that the statements were literally true but misleading due to Defendants' alleged knowledge that the '457 patent was invalid." (Ldg at L-5). The trial court confirmed that there were issues of fact with regard to certain misleading statements, particularly the statement that there was "no problem" with the patent in dealing with one of its customers. (App. at 16a). Similarly, the district court found that the Defendants knew that there were various problems with the patent at the time the statements were made. Such knowledge clearly constitutes "bad faith." Nevertheless, the court granted summary judgment to the Defendants without giving Dr. Allen the slightest notice that it was ignoring Defendants' admissions and concessions concerning "bad faith" and that Dr. Allen should have come forth with all of his evidence on Defendants' misconduct, including "bad faith."

With regard to the "bad faith" issue in general, the Defendants conceded the issue in their own motion for summary judgment which related to the other elements concerning Plaintiff's cause of action. Defendants expressly

disclaimed reliance on the "bad faith" issue when they said in their motion papers

> Allen's accusations regarding bad faith conduct . . . are not relevant to Defendants' motion.

(Ldg at L-3). Defendants further *assumed for the purposes of their motion that they had the requisite bad faith.* (Ldg at L-2). Thus Dr. Allen had no notice that the "bad faith" associated with the "misleading" nature of the statements or that their "misleading conduct" in general was at issue in the case for summary judgment purposes. Quite the contrary, as they had been conceded, Dr. Allen was on notice that the issues were not contested by Defendants.

Nevertheless, the trial court found for the purposes of granting summary judgment that the Plaintiff had not submitted the requisite evidence of "bad faith", and that consequently Defendants were entitled to summary judgment on all the causes of action.

Plaintiff Dr. Allen subsequently appealed the decision based on admissions and concessions made by the Defendants and the district court's own findings that there were issues of fact with regard to their "bad faith" and "misleading" conduct. (Ldg at L-17 - L-30). On appeal to the Court of Appeals for the Federal Circuit, Plaintiff noted to the Federal Circuit that Defendants admitted that they had conceded the issue in their brief. Nevertheless, the Federal Circuit in a non-precedential *per curiam* decision affirmed the decision below, that there was no "bad faith." (App. at 1a-2a). The finding by the district court that there were issues of fact with respect to the "misleading" statements and conduct were simply not addressed.

REASONS FOR GRANTING THE PETITION

1. The Panel Majority Failed to Follow Well Established Precedent That Summary Judgment Could Not Be Granted Without Notice to Plaintiff

A. The Federal Circuit In this Case Affirmed the District Court's Decision to Look Beyond the Issues Before It in Granting Summary Judgment *Sua Sponte* Without Notice to Dr. Allen

The District Court for the District of Delaware, whence this case came, is required to apply the law of the Third Circuit on procedural issues surrounding summary judgment. Since the Defendants never moved on summary judgment on "bad faith" or the "misleading" nature of their conduct, the only way the court could reach the issue was *sua sponte*. As to the propriety of a court raising such an issue on its own, the Federal Circuit is compelled to follow the law of the regional circuit from which the case was appealed, in this case the Third Circuit. *See, e.g., Massey v. Del Laboratories, Inc.*, 118 F.3d 1568, 1572 (Fed. Cir. 1997) (applying Ninth Circuit law regarding the propriety of summary judgment granted *sua sponte*).

Under Third Circuit law a district court may not grant summary judgment *sua sponte* to a non-moving party "without first placing the [other] party on notice that the court is considering" such a judgment. *Chambers Development Co. v. Passaic County Utilities Authority*, 62 F.3d 582, 584, n. 5 (3d Cir. 1995) (reversing summary judgment against moving party and for non-moving party). The court "must also provide the party with an opportunity to present relevant evidence in opposition to that motion." *Id. See also Celotex*

Corp. v. Catrett, 477 U.S. 317, 326 (1986) (summary judgment may be granted *sua sponte* only if "the losing party was on notice that she had to come forward with all of her evidence"); *Otis Elevator Co. v. George Washington Hotel Corp.*, 27 F.3d 903, 910 (3d Cir. 1994) (reversing summary judgment because "a district court may not grant summary judgment *sua sponte* unless the court gives notice and an opportunity to oppose summary judgment.").

As the district court provided Dr. Allen with neither notice nor an opportunity to present evidence in response to such motion, it did not comply with the requirements of the Third Circuit, nor Supreme Court precedent, for granting summary judgment *sua sponte*. Indeed, Defendants had informed Dr. Allen that they had conceded the "bad faith" issue and that they were not moving on Dr. Allen's "misleading" cause of action. Consequently, Dr. Allen had no reason to submit all of his evidence on these issues.

Under Rule 56 of the Federal Rules of Civil Procedure, a defendant moving for summary judgment has the burden of demonstrating that there is no genuine issue of any material fact concerning an essential element of the plaintiff/non-movant's case. Even *Celotex Corp. v. Catrett*, 477 U.S. 317, 323 (1986) states "the plaintiff/non-movant bears the burden of responding *only after* the defendant/moving party has met its burden of coming forward to show the absence of evidence to support one or more essential elements of the non-movant's case." *Id.* at 324-25, 328, 330-32. The holding of the Court of Appeals for the Federal Circuit affirming the trial court on this issue is a direct affront to *Celotex* and completely contrary and at odds with *Massey* and *Chambers*, precedent that that court is constrained to follow.

B. In Another "Non-Precedential" Decision, the Federal Circuit Vacated a District Court Decision Where Litigants Were In The Identical Posture on Summary Judgment as Dr. Allen and the Defendants in This Case

The Federal Circuit's non-precedential decision here directly conflicts with its non-precedential opinion in *Bemis Manufacturing Co. v. Dornoch Medical Sys., Inc.*, 21 Fed. Appx. 930 (Fed. Cir. 2001) (unpublished), thereby injecting arbitrariness into the rule of law. Unlike its *per curiam* opinion affirming the district court's grant of summary judgment against Dr. Allen, the Federal Circuit in *Bemis* vacated a finding of summary judgment "because the district court [improperly] granted summary judgment *sua sponte* to the non-movant on a ground for which proper notice and a fair opportunity to present evidence was not given". *Id.* at 937. The Federal Circuit found that the district court in *Bemis,* similar to the *Massey* court, erroneously granted summary judgment against non-movant "on grounds argued in the defendant's opposition brief, rather than in the defendant's motion for summary judgment." *Id.* at 936.

Specifically in *Bemis,* the district court granted summary judgment of non-infringement against plaintiff even though the defendant never moved for judgment on that issue. The plaintiff moved for summary judgment of patent infringement and defendant moved solely for summary judgment of patent invalidity. The district court, "drawing from the defendant's arguments in its opposition brief written in response to the plaintiff's motion," awarded summary judgment on an issue not raised in defendant's motion. *Id.* at 936. The Federal Circuit vacated, finding that plaintiff Bemis was not afforded proper notice and a fair opportunity

to be heard. It further stated that "the determination of whether the district court offered Bemis proper notice . . . turns not on Bemis's surprise that the issue was raised, but more so on Bemis's surprise that the district court would consider granting summary judgment on that ground." *Id.* at 936 (citing *Massey*, 118 F.3d at 1573).

However, the Federal Circuit reached a completely opposite finding here–although Dr. Allen's situation was no different than the appellant in *Bemis*. Like the non-movant respondent in *Bemis*, Defendants here never moved on (and in fact, conceded) the issue upon which the court granted summary judgment. Like the district court in *Bemis*, the district court here never placed Dr. Allen on notice that an issue (bad faith) was a potential basis for Defendants' summary judgment motion. Like the appellant in *Bemis*, Dr. Allen here was surprised that the district court considered granting summary judgment on that issue. However, ***unlike*** the Federal Circuit panel in *Bemis*, the Federal Circuit panel here did not vacate the district court's grant of summary judgement.

Why did the Federal Circuit treat appellant in *Bemis* differently than Dr. Allen? No one will know because the Federal Circuit filed a *per curiam* non-precedential opinion. By deeming both its opinions here and in *Bemis* as non-precedential, the Federal Circuit plunges the law in confusion. In effect, the Federal Circuit's standards in granting summary judgment under Fed. R. Civ. P. 56 have become wholly arbitrary.

One can speculate that the "pro-patent" institutional bias of the Federal Circuit may be a contributing factor to the conflicting decisions. By vacating the summary judgment

against the plaintiff patentee in *Bemis*, the Federal Circuit remanded the case to allow the patentee to continue its infringement suit. Similarly (but more egregiously), the Federal Circuit here sustained a holding of no bad faith that permitted Defendants, major international medical device and pharmaceutical companies, to promote a patent that they knew was defective. Although ostensibly protecting Pfizer's and Leibinger's illegally obtained patent position, these actions stunt the growth of new technology by real inventors.

2. The Arbitrary Selection of Opinions as Non-precedential Treats Litigants Unequally in Violation of the Fifth Amendment

The Federal Circuit's use of "non-precedential" designation violates the Fifth Amendment right to equal protection and due process under the law. It provides unequal treatment to similarly situated litigants. This is particularly so where, as here, the Federal Circuit's opinion is contrary to established precedent and, by the designation of an opinion as "non-precedential," effectively and arbitrarily destroys the opportunity for further review, and provides the Federal Circuit with the ability to hide its decision from scrutiny of future litigants, the bar, scholars and other courts.

It has always been part of due process and Supreme Court jurisprudence that the legal system treat all persons similarly situated alike. *See, e.g.*, *Johnson v. Robison*, 415 U.S. 361, 374-75 (1974) (A classification must "be reasonable, not arbitrary, and must rest upon some ground of difference having a fair and substantial relation to the object of legislation, so that all persons similarly circumstanced shall be treated alike.") (citing *Royster Guano Co. v. Virginia*, 253 U.S. 412, 415 (1920); *Reed v. Reed*, 404 U.S. 71, 75-76 (1971)).

Under Fed. Cir. Rule 47.6(b), the appellate court can designate its opinion or order as non-precedential if it is determined by the panel issuing it as not "adding significantly to the body of law." Although the court has not stated any reason other than the rule itself why an opinion should be designated non-precedential, there is a strong implication that the district court decision applied the correct legal principles in the correct way. In this particular case, the body of law and the decision of the district court below are in no way supported by Constitutional principles or precedent of any relevant court. Rather, it is contrary to precedent, and to say it adds nothing to the record is to make it stand for something that it does not, *i.e.*, that it is consistent with due process and treats litigants equally.

Furthermore, it detracts from the ability of the bar to advise clients and other litigants who may appear before the court. What does one tell a client when the Federal Circuit has affirmed a decision that is totally contrary to the Rules of Civil Procedure, due process, binding precedent and the rules of the Supreme Court? Parties and their counsel should be able to rely on these institutional principles in defining their conduct both in and out of the courts. The only value in designating a decision as "non-precedential" is that it protects the Federal Circuit when it acts in an arbitrary manner by hiding its review.

In the past, this Court has not hesitated to strike local rules that arbitrarily discriminate against certain litigants. In *Frazier v. Heebe*, 482 U.S. 641 (1987), the Court in exercising its inherent supervisory authority under 28 U.S.C. § 2072 struck down a lower court's local rule which arbitrarily discriminated against non-resident bar members:

> A District Court's discretion in promulgating local rules is not without limits. This Court may exercise

> its inherent supervisory power to insure that these local rules are consistent with the "principles of right and justice." (Citation omitted).

Id. at 645 (emphasis added).

Federal Circuit Rule 47.6(b) should be stricken in this case such that no court can hide its mistakes and treat litigants arbitrarily. The dangers created are self-evident. This practice continues to foreclose proper appellate review of opinions, resulting in less stability and predictability, and promotes confusion among the bar. It permits the court to "create an underground body of law good for one place and time only" and that courts may "choose for themselves, from among all the cases they decide, those that they will follow in the future and those that they need not." *Anastasoff v. United States*, 223 F.3d 898, 904 (8th Cir. 2000), *vacating as moot on other grounds*, 235 F.3d 1054 (8th Cir. 2000) (*en banc*).[2] "This discretion is completely inconsistent with the doctrine of precedent." *Anastasoff*, 223 F.3d at 905.

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2. The Eighth Circuit in *Anastasoff* is one of several appellate courts that have questioned the constitutionality of non-precedential opinions under Article III of the Constitution rather than the Fifth Amendment. In *Anastasoff*, a panel of the Eighth Circuit had ruled the practice of declaring opinions as non-precedential unconstitutional; however, the *en banc* court vacated this holding on mootness grounds. *Anastasoff v. United States*, 223 F.3d 898, 899 (8th Cir. 2000), *vacating as moot*, 235 F.3d 1054 (8th Cir. 2000) (*en banc*).

CONCLUSION

Secret jurisprudence offers a real potential for undermining the predictability and consistency in our common law traditions. The danger of arbitrary decisions affecting unfairly similarly-situated litigants is manifest from the different results in this case compared with *Bemis*. It will only get worse unless this Court addresses the abuses associated with non-precedential decisions and their due process implications. For the foregoing reasons, this Court should grant the Petition for a Writ of Certiorari.

Respectfully submitted,

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APPENDIX A — *PER CURIAM* JUDGMENT OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT DATED AND FILED JANUARY 16, 2003

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

02-1369

GEORGE S. ALLEN,

Plaintiff-Appellant,

v.

HOWMEDICA LEIBINGER, INC., HOWMEDICA, INC., and PFIZER, INC.,

Defendants-Appellees.

JUDGMENT

ON APPEAL from the	United States District Court for the District of Delaware
In CASE NO(S).	98-CV-613

This CAUSE having been heard and considered, it is

ORDERED and ADJUDGED: *AFFIRMED.*
See Fed. Cir. R. 36

Appendix A

Per Curiam (NEWMAN, MICHEL, and LOURIE, *Circuit Judges*).

ENTERED BY ORDER OF THE COURT

DATED: JAN 16 2003

s/ Jan Horbaly
Jan Horbaly, Clerk

APPENDIX B — MEMORANDUM OPINION OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE FILED MARCH 28, 2002

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

Civil Action No. 98-613-JJF

GEORGE S. ALLEN,

Plaintiff,

v.

HOWMEDICA LEIBINGER, INC., HOWMEDICA, INC., and PFIZER, INC.,

Defendants.

March 28, 2002
Wilmington, Delaware

MEMORANDUM OPINION

FARNAN, District Judge

Presently before the Court is a Motion For Summary Judgment filed by Defendants Howmedica Leibinger, Inc., Howmedica, Inc., and Pfizer, Inc. (collectively "Defendants") (D.I. 221), and a Motion For Partial Summary Judgment filed by Plaintiff George S. Allen, M.D., Ph.D. (hereinafter "Plaintiff") (D.I. 233). For the reasons set forth below Defendants' Motion will be granted and Plaintiff's Motion will be denied.

Appendix B

BACKGROUND

I. Factual Background

A. The Parties And The Technology At Issue

Plaintiff is a professor of neurological surgery at the Vanderbilt University Medical Center. (D.I. 240 at 3). Plaintiff, along with a team of doctors and engineers, developed a new medical imaging technique referred to as the ACUSTAR® Technology, which enables doctors to locate tumors in the brain with a new level of accuracy and reliability through the use of implantable fiducial markers. (D.I. 234 at 4).

The early development of the ACUSTAR® technology was funded by Codman & Shurtleff, a subsidiary of Johnson & Johnson. (D.I. 234 at 5). Due to an alleged change of business focus, Johnson & Johnson abandoned the project and transferred all ACUSTAR® assets to Plaintiff in January 1996. (D.I. 234 at 5).

After Plaintiff acquired the ACUSTAR® assets, Plaintiff attempted to commercialize the technology. (D.I. 234 at 5). Negotiations between Plaintiff and Picker International, Inc. (hereinafter "Picker") (now known as Marconi), led to a license agreement in September 1997, under which Picker would pay Plaintiff a royalty in the event that Picker commercialized the ACUSTAR® technology. (D.I. 235, Ex. 14). Picker was a company that marketed and sold medical systems, including medical imaging systems, and had been involved with Plaintiff and the ACUSTAR® technology in the early 1990's. (D.I. 234 at 5).

Appendix B

Defendant Howmedica Leibinger, Inc. (hereinafter "HLI") is a Delaware corporation that distributes medical devices in the United States that are manufactured in Germany by Howmedica Leibinger GmbH (hereinafter "HLG").[1] (D.I. 240 at 3). Since 1996, HLI has offered for sale an implantable fiducial marker under the trade name OST-REG™, which is allegedly similar to the ACUSTAR® technology. (D.I. 240 at 3).

In January 1996, HLI and HLG were acquired by Defendant Pfizer, Inc. (hereinafter "Pfizer"). Defendant Howmedica, Inc. (hereinafter "HI"), now known as MTG Divestitures, Inc., is a subsidiary of Pfizer. (D.I. 240 at 4). In December 1998, Stryker Corporation (hereinafter "Stryker") acquired HLI, HLG, and substantially all of the assets of HI from Pfizer. (D.I. 240 at 4).

B. The '457 Patent And The German Counterpart

The relevant patent in the instant case is Defendants' U.S. Patent No. 5,394,457 (hereinafter "the '457 Patent") relating to the OST-REG™ implantable fiducial marker, which was filed with the United States Patent and Trademark Office (hereinafter "USPTO") on October 7, 1993 by counsel at Jones, Day, Reavis & Pogue (hereinafter "Jones Day"). (D.I. 240 at 4-5). The relevant claims of the '457 Patent are allegedly "a word-for-word duplicate" of HLG's German

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1. Originally, HLG was a defendant in this matter; however, the Court granted HLG's motion to dismiss for lack of personal jurisdiction in October 1999. (D.I. 127; D.I. 128).

Patent which was published in the German Patent Office on April 21, 1994 (German Patent No. 4233978). (D.I. 240 at 4).

A few months after the German Patent was published, Electa (a German company) initiated Opposition proceedings against the German Patent before the German Patent Office alleging that the German Patent was not patentable because of certain prior art, specifically the Rousseau II reference (hereinafter "Rousseau II"). (D.I. 240 at 5). In August 1994, Axel von Hellfeld, an attorney with the German law firm of Wuestoff & Wuestoff who was handling the German Patent, received notice of the opposition filed by Electa (hereinafter "the German opposition"). (D.I. 240 at 5). Mr. von Hellfeld brought the German opposition to the attention of Dr. Robert Boesecke, a scientist employed by HLG. (D.I. 240 at 5). The German opposition proceeded, and the German Patent was revoked by the German Patent Office on January 22, 1996. (D.I. 240 at 5). HLG appealed the decision, and the German Federal Patent Court rejected the appeal. (D.I. 240 at 6).

In the meantime, the '457 Patent issued on February 28, 1995. (D.I. 240 at 5). At the time the '457 Patent issued, neither Jones Day nor the USPTO were aware of the German opposition. (D.I. 240 at 5).

C. The Interference Proceeding

In October 1995, Plaintiff filed an amendment to his then-pending patent application for the ACUSTAR® technology. (D.I. 240 at 6). Because Plaintiff presented Claim 22 from

Defendants' '457 Patent in the amendment, Plaintiff requested an interference proceeding with the 457' Patent to determine priority of invention. (D.I. 240 at 6). On June 28, 1996, the USPTO declared an interference between the '457 Patent and Plaintiff's pending patent application.[2]

Early in the interference proceeding, Defendants filed a preliminary motion to redefine the interfering subject matter by designating claims 2-21 as separately patentable and not corresponding to the single broad count.[3] Plaintiff did not oppose this motion and, in February 1997, the USPTO deferred ruling on the motion until final hearing.

In May 1997, Plaintiff was informed of the opposition and revocation of HLG's German Patent by Picker. On June 4, 1997, Plaintiff allegedly confronted Defendants with the German opposition and revocation based on the Rousseau II prior art. On July 1, 1997, Plaintiff filed a preliminary motion requesting that the administrative patent judge take notice of the Rousseau II reference. Defendants filed a motion to strike Plaintiff's request as untimely because plaintiff had not complied with the proper procedure for filing preliminary motions. On July 22, 1997, the USPTO advised both parties that Plaintiff's request and Defendants' motion would be deferred until final hearing.

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2. Although McCrory, rather than Plaintiff, was the named junior party to the interference proceeding with Defendants, Plaintiff was the junior party-in-interest.

3. A "count" defines what the USPTO has determined is the broadest patentable subject matter common to the applications or patents in the interference. *See* 37 C.F.R. § 1.601(f).

Appendix B

In November 1997, Defendants discovered that the Rousseau II reference was actually the third in a series of related publications, which includes Clarysse and Rousseau I. (D.I. 240 at 7, 11). Defendants specifically offered to withdraw their objection to the consideration of Rousseau II so long as the USPTO would consider the entire series of references. (D.I. 240, Ex. 14). In their briefing for final hearing, Defendants argued that the series of prior art references rendered Plaintiff's claims unpatentable, and also conceded that "for consistency Leibinger's '457 patent claims 1 and 22 would also be invalid." (D.I. 240 at 7, D.I. 240, Ex. 10).

On December 5, 2000, the USPTO issued its final decision. Despite the fact that neither Plaintiff's request to take notice of Rousseau II nor Defendants' request to consider Rousseau I and Clarysse were timely raised during the preliminary motions period, the USPTO exercised its discretion to consider the issue of claim patentability over the prior art raised by these references. (D.I. 235, Ex. 1 at 5-6, n. 4). Specifically, the USPTO denied Defendants' motion to have claims 2-21 of the '457 Patent separated from the count, and held that all claims of the '457 Patent are invalid as anticipated by or obvious over Rousseau II. (D.I. 235, Ex. 1). Additionally, the USPTO held that all of Plaintiff's claims included in the interference were unpatentable under 35 U.S.C. § 102/ § 103 over Rousseau I or Clarysse. (D.I. 235, Ex. 1).

D. Picker's Inquiry With HLI

During the course of Plaintiff's negotiations with Picker in 1996 to fund the further development and commercial-

ization of Plaintiff's ACUSTAR® technology, James McNally, a Picker representative, contacted Frank Murdock, HLI's vice president, to inquire about Defendants' fiducial marker technology (hereinafter the "McNally/Murdock conversation"). (D.I. 240 at 13). McNally learned about Defendants' fiducial marker through a trade publication, and telephoned Murdock sometime in August 1996 to discuss Defendants' marker. (D.I. 240 at 13). During the conversation, Murdock indicated that Defendants' marker was patented, identified the '457 Patent, and represented that Defendants' patent position was strong. (D.I. 234 at 9; D.I. 235, Ex. 13 at 63-75).

Following the conversation, Murdock sent McNally a sample of the fiducial marker, a copy of the '457 Patent, and a copy of the "Manual Marker" product brochure. (D.I. 240 at 15). The Manual Marker brochure was printed in Germany by HLG in January 1996. (D.I. 235, Ex. 8). Specifically, the Manual Marker brochure indicated that Defendants' manual marker system was "patented in the United States; Germany." (D.I. 235, Ex. 8).

II. Procedural Background

On October 28, 1998, Plaintiff filed the instant suit against Defendants. (D.I. 1). By his Amended Complaint, Plaintiff alleges claims of tortious interference with business relations under Ohio common law, deceptive trade practices under Ohio Revised Code Annotated §§ 4165.02(A), 4165.03, and unfair competition under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). (D.I. 78). Specifically, Plaintiff alleges that Defendants' '457 Patent is invalid in

view of Rousseau II and unenforceable because of inequitable conduct (i.e. withholding and/or suppressing Rousseau II) that occurred during both the prosecution of the '457 Patent and the interference proceeding. (D.I. 78). Additionally, Plaintiff alleges that Defendants' officers and employees knew of the facts constituting invalidity and unenforceability of the '457 Patent before the date of its issuance. (D.I. 78). Despite this knowledge, Plaintiff alleges that Defendants falsely represented to Picker that Defendants' technology was protected by the '457 Patent. (D.I. 78). Plaintiff alleges that these false representations influenced Picker's ACUSTAR® purchasing decision and substantially depressed the price Plaintiff ultimately received for the ACUSTAR® technology. (D.I. 78).

Aside from the limited issue regarding the parties' recent commercialization efforts of their technology, discovery in this matter is complete and the parties have filed the instant Motions (D.I. 221; D.I. 233). (*See* D.I. 271). By their Motion, Defendants seek judgment as a matter of law on all of Plaintiff's claims. (D.I. 221). Plaintiff has opposed Defendants' Motion For Summary Judgment (D.I. 221), and has filed his own Motion For Partial Summary Judgment on his unfair competition claim.[4] (D.I. 233; D.I. 229).

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4. The parties arguments in support of and in opposition to the instant Motions virtually mirror one another. Accordingly, the Court will not separately address the instant Motions (D.I. 221; D.I. 233).

Appendix B

DISCUSSION

I. Standard Of Review

Rule 56(c) of the Federal Rules of Civil Procedure provides that a party is entitled to summary judgment if a court determines from its examination of "the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any," that there are no genuine issues of material fact and that the moving party is entitled to judgment as a matter of law. Fed. R. Civ. P. 56(c). In determining whether there is a triable dispute of material fact, a court must review all of the evidence and construe all inferences in the light most favorable to the non-moving party. *Goodman v. Mead Johnson & Co.*, 534 F.2d 566, 573 (3d Cir. 1976). However, a court should not make credibility determinations or weigh the evidence. *Reeves v. Sanderson Plumbing Prods., Inc.*, 120 S.Ct. 2097, 2110 (2000). Thus, to properly consider all of the evidence without making credibility determinations or weighing the evidence the "court should give credence to the evidence favoring the [non-movant] as well as that 'evidence supporting the moving party that is uncontradicted and unimpeached, at least to the extent that evidence comes from disinterested witnesses.'" *Id.*

To defeat a motion for summary judgment, Rule 56(c) requires the non-moving party to:

> do more than simply show that there is some metaphysical doubt as to the material facts. . . . In the language of the Rule, the non-moving party

> must come forward with "specific facts showing that there is a genuine issue for trial." . . . Where the record taken as a whole could not lead a rational trier of fact to find for the non-moving party, there is "no genuine issue for trial."

Matsushita Elec. Indus. Co., Ltd. v. Zenith Radio Corp., 475 U.S. 574, 586-87 (1986). Accordingly, a mere scintilla of evidence in support of the non-moving party is insufficient for a court to deny summary judgment. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 252 (1986).

II. Whether Either Plaintiff Or Defendant Is Entitled To Summary Judgment On Plaintiff's Unfair Competition Claim Under Section 43(a) Of The Lanham Act, 15 U.S.C. § 1125(a)

Plaintiff contends that Defendants misrepresented the nature of their technology in the marketplace. (D.I. 234 at 12). Specifically, Plaintiff contends that Defendants falsely represented that their technology was protected by the '457 Patent through conversations with Picker employees and the distribution of marketing brochures. (D.I. 234 at 15). Because these false representations influenced Picker's ACUSTAR® purchasing decision and substantially depressed the price Plaintiff ultimately received for the ACUSTAR® technology, Plaintiff contends that Defendants' conduct constitutes unfair competition under Section 43(a) of the Lanham Act. (D.I. 234 at 2). Although the parties dispute the details of Defendants' actions, three things are clear: (1) all of Defendants' actions involve communications relating to their patent rights; (2) Defendants' technology was protected by

the '457 Patent when all communications at issue occurred; and (3) the '457 Patent is presumed to be valid. The issue is whether, in light of these facts, there is sufficient evidence to establish that Defendants' actions rise to the level of unfair competition prohibited by the Lanham Act.

Section 43(a) of the Lanham Act states in pertinent part:

> (1) Any person who . . . uses in commerce any . . . false or misleading description of fact, or false or misleading representation of fact, which —
>
> * * *
>
> (B) in commercial advertising or promotion, misrepresents the nature, characteristics, [or] qualities . . . of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. § 1125(a)(1)(B)(1998).

The Third Circuit has made clear that a Lanham Act plaintiff is required to prove by a preponderance of the evidence that: (1) defendant made false or misleading statements as to its product, or those of the plaintiff; (2) there was actual deception or at least a tendency to deceive a substantial portion of the intended audience; (3) the deception was material in that it is likely to influence purchasing decisions; (4) the advertised goods traveled in interstate

commerce; and (5) there is a likelihood of injury to the plaintiff in terms of declining sales, loss of good will, etc. *See Johnson & Johnson-Merck Consumer Pharms. Co. v. Rhone-Poulenc Rorer Pharms, Inc.*, 19 F.3d 125, 129 (3rd Cir. 1994). Additionally, when, as in this case, a Lanham Act claim is asserted against a patent holder for marketplace activity in support of its patent, a plaintiff is also required to establish that the patent holder acted in bad faith. *See Zenith Electronics Corp. v. Exzec, Inc.*, 182 F.3d 1340, 1353 (Fed. Cir. 1999). This sixth element is necessary in order to avoid a conflict between the Lanham Act, which could deprive a patentee of the right to notify the public about the potential infringement of its patent, and the patent laws, which make marking or specific notice of patented articles a prerequisite to the recovery of damages. *Id.*

Defendants contend, among other things, that Defendants did not make a false or misleading representation about their fiducial marker technology or act in bad faith. The Court will turn to the parties arguments with respect to these elements to determine whether there is sufficient evidence to establish that Defendants' actions rise to the level of unfair competition.

A. Whether Defendants Made False Or Misleading Statements As To Their Product

Plaintiff contends that, through conversations with Picker employees and the distribution of marketing brochures, Defendants falsely represented that their technology was protected by the '457 Patent. (D.I. 234 at 15). Specifically, Plaintiff contends that the '457 Patent was invalid at the time

of the McNally/Murdock conversation and during the time which Defendants distributed their "Manual Marker" brochure. (D.I. 234 at 12-13). Plaintiff contends that, based on Rousseau II, HLG's German Patent was revoked by the German patent office on January 22, 1996. (D.I. 234 at 13). Because the '457 Patent is a "word-for-word duplicate" of HLG's German Patent, and because Defendants' representations that their fiducial markers were protected by the '457 Patent occurred after the German Patent was revoked, Plaintiff contends that Defendants' representations were literally false. (D.I. 234 at 15). Alternatively, Plaintiff contends that Defendants' representations were misleading because the '457 Patent was eventually held invalid and, at the time the representations were made, Defendants were aware of the German revocation and the '457 Patent was involved in an interference proceeding. (D.I. 229 at 18).

Defendants contend that the '457 Patent was not held invalid by the USPTO until December 5, 2000. (D.I. 240 at 28). Because all marketplace representations at issue occurred prior to December 5, 2000, Defendants contend that their representations with respect to the '457 Patent were not false or misleading. (D.I. 240 at 28-29).

After reviewing the parties arguments and the applicable law on this issue, the Court concludes that Defendants' marketplace representations with respect to the '457 Patent were not literally false. Whether a statement or representation is literally false must be determined by analyzing the statement or representation in the context in which it is made. *See Sandoz Pharm. Corp. v. Richardson-Vicks, Inc.*, 735 F. Supp. 597, 600 (D. Del. 1989), *aff'd* 902 F.2d 222 (3rd Cir.

1990). The Court is not aware of any case in which a party, by asserting that its product is covered by a valid patent, has been held to have made a literally false statement, when that party's product was in fact protected by a valid patent. Because Defendants' statements and/or representations that their fiducial markers were protected by the '457 Patent occurred prior to the date the '457 Patent was held invalid, the Court concludes that Defendants statements and/or representations were literally true. Indeed, to hold otherwise would be contrary to the patent laws, which authorize patentees to mark their patented articles and make marking or specific notice to the accused infringer a prerequisite to the recovery of damages. 35 U.S.C. § 287.

With regard to Plaintiff's alternative contention, the Court concludes that a factfinder could find that Defendants' marketplace representations with respect to the '457 Patent were misleading. During the McNally/Murdock conversation, Murdock represented to McNally that there was "no problem" with Defendants' '457 Patent. (D.I. 236, Ex. 26 at 3). At the time of this conversation, however, Defendants were aware that the '457 Patent was involved in an interference proceeding in which Rousseau II was cited as invalidating prior art. Defendants were also aware that Rousseau II formed the basis for the revocation of HLG's German Patent. On these facts, the Court finds that a genuine issue of material fact exists as to whether Defendants representation that there was "no problem" with their '457 Patent was misleading. Accordingly, the Court will turn to the parties arguments with respect to the sixth element, to determine if there is sufficient evidence to establish that Defendants' representations were made in bad faith.

Appendix B

B. Whether Defendants Acted In Bad Faith

Plaintiff contends that Defendants acted in bad faith because Defendants knew that their '457 Patent was invalid, but nonetheless represented to the marketplace that their fiducial marker technology was protected by the '457 Patent. (D.I. 234 at 19). Specifically, Plaintiff contends that Defendants' knowledge of the German Patent's revocation based on Rousseau II equates to knowledge of the '457 Patent's invalidity. (D.I. 234 at 20). Because Defendants were aware of the German Patent's revocation at the time of the McNally/Murdock conversation and during the time in which the "Manual Marker" brochure was distributed, Plaintiff contends that Defendants acted in bad faith by representing that their fiducial marker technology was protected by the '457 Patent. (D.I. 234 at 20-21).

Defendants contend that they were not even aware of the German Patent's revocation at the time all marketplace representations were made. (D.I. 240 at 29). Nonetheless, Defendants contend that knowledge of the German Patent's revocation based on Rousseau II does not equate to knowledge of the '457 Patent's invalidity. (D.I. 240 at 30). Specifically, Defendants contend that the claims of the '457 Patent differed significantly from the claims of the German Patent. (D.I. 240 at 31). In this regard, Defendants contend that none of the claims that it sought to have separated from the count of the interference proceeding (i.e. claims 2-21) correspond to the three German Patent claims held invalid by the German Patent Court. (D.I. 240 at 31). Additionally, Defendants contend that Plaintiff's suggestion that a foreign patent court's ruling compels an identical ruling by the

USPTO is specious. (D.I. 240 at 31). Because the claims of the '457 Patent differed from the claims of the German Patent, and because a foreign patent court's ruling does not compel an identical ruling by the USPTO, Defendants contend that, even if they were aware of the German Patent's revocation, they would not have known of the '457 Patent's invalidity until the USPTO held the '457 Patent invalid on December 5, 2000. (D.I. 240 at 30).

A clear case of bad faith representations is made out "if the patentee knows that the patent is invalid, unenforceable, or not infringed, yet represents to the marketplace that a competitor is infringing the patent." *See Zenith Electronics Corp.*, 182 F.3d at 1354. Exactly what constitutes bad faith is determined on a case by case basis. *Id.*

After reviewing the parties arguments and the applicable law on this issue, the Court concludes that Defendants marketplace representations were not made with knowledge of the '457 Patent's invalidity. Plaintiff's entire argument is premised on the assumption that Defendants' knowledge of the German Patent's revocation equates to knowledge of the '457 Patent's invalidity.[5] The Federal Circuit, however, has specifically rejected as "specious" the argument that a United

5. As previously indicated, by his Complaint, Plaintiff alleges that Defendants' marketplace representations were made not only with knowledge of the '457 Patent's invalidity, but also with knowledge of the '457 Patent's unenforceability. Plaintiff, however, fails to address Defendants' alleged knowledge of the '457 Patent's unenforceability in support of his contention that Defendants' acted in bad faith, and therefore, the Court will not address these allegations.

States court should adopt the conclusion of a foreign tribunal. *See Medtronic, Inc. v. Daig Corp.*, 789 F.2d 903, 907 (Fed. Cir. 1986); *see also Heidelberger Druckmaschinen AG v. Hantscho Commercial Products, Inc.*, 21 F.3d 1068, 1072 (Fed. Cir. 1994) (cautioning considering the action of a foreign patent examiner, since "international uniformity in theory and practice has not been achieved"). Thus, even assuming that the claims of the '457 Patent and the German Patent are identical, and Defendants had knowledge of the German Patent's revocation when all marketplace representations were made, the Court cannot conclude that Defendants were required to concede their constitutionally protected property right in the '457 Patent on the basis of a foreign patent court's ruling. Accordingly, the Court concludes that Defendants marketplace representations that their fiducial marker technology was protected by the '457 Patent were not made in bad faith. Because Plaintiff has failed to establish that a genuine issue of material fact exists with respect to Defendants' bad faith, the Court will grant Defendants' Motion For Summary Judgment (D.I. 221) on Plaintiff's unfair competition claim.

III. Whether Defendants Are Entitled To Summary Judgment On Plaintiff's State Tort Claims

It is well recognized that state tort claims based on a patent holder's representation of its patent rights to the marketplace are preempted by the patent laws unless a claimant can establish that the patent holder acted in bad faith. *See Zenith Electronics Corp.*, 182 F.3d at 1355 (citing *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318, 1337 (Fed. Cir. 1998) (holding that to require less than

bad faith "would impermissibly alter the balance between the competing purposes of federal patent law that Congress has prescribed"), overruled on other grounds (citation omitted)). Because Plaintiff claims of tortious interference with business relations under Ohio common law, and deceptive trade practices under Ohio Revised Code Annotated §§ 4165.02(A), 4165.03, are based on Defendants' marketplace representations that their fiducial marker technology was protected by the '457 Patent, Plaintiff is required to establish that a genuine issue of material fact exists with respect to Defendants' bad faith in order to survive summary judgment. *See id.* For the same reasons set forth above, the Court concludes that Defendants marketplace representations that their fiducial marker technology was protected by the '457 Patent were not made in bad faith. Accordingly, the Court will also grant Defendants' Motion For Summary Judgment (D.I. 221) on Plaintiff's state law claims.

CONCLUSION

For the reasons discussed, the Court will grant Defendants' Motion for Summary Judgment (D.I. 221) and will deny Plaintiff's Motion For Partial Summary Judgment (D.I. 233).

An appropriate Order will be entered.

APPENDIX C — ORDER OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT DENYING PLAINTIFF'S PETITION FOR PANEL REHEARING AND PETITION FOR REHEARING EN BANC DATED AND FILED FEBRUARY 24, 2003

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

02-1369

ALLEN V HOWMEDICA LEIBINGER

(DCT - 98-CV-613)

ORDER

A combined petition for panel rehearing and for rehearing en banc having been filed by the APPELLANT, and the petition for rehearing having been referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for panel rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

The mandate of the court will issue on March 3, 2003.

Appendix C

FOR THE COURT,

s/ Jan Horbaly
Jan Horbaly
Clerk

Dated: February 24, 2003

Supreme Court, U.S.
FILED
AUG 4 - 2003
OFFICE OF THE CLERK

No. 02-1765

IN THE

Supreme Court of the United States

GEORGE S. ALLEN,

Petitioner,

v.

HOWMEDICA LEIBINGER, INC.,
HOWMEDICA, INC. and PFIZER INC.,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF IN OPPOSITION

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QUESTIONS PRESENTED

1. Whether a judgment by a panel of the Federal Circuit affirming a district court's summary judgment for Defendants, and an order by the panel and the Federal Circuit *en banc* denying Plaintiff's petition for rehearing, both without dissent, present a compelling reason for further review by this Honorable Court, where: (i) Plaintiff had notice that Defendants denied his accusations of bad faith in their opening brief in support of their motion for summary judgment, and Plaintiff presented his evidence on the issue in his brief opposing summary judgment and in briefing in support of his own cross-motion; (ii) Plaintiff's evidence on the issue of bad faith, an essential element of each of Plaintiff's claims, was insufficient to allow a reasonable jury to find in his favor; and (iii) summary judgment was warranted on alternative grounds that were also raised in the district court and on appeal.

2. Whether the Federal Circuit's judgment of affirmance without opinion and its designation of that ruling and its order denying Plaintiff's petition for rehearing as "non-precedential" violate Plaintiff's Fifth Amendment right to due process and equal protection.

CORPORATE DISCLOSURE STATEMENT

Respondent Howmedica Leibinger, Inc. is a wholly-owned subsidiary of non-party Stryker Corporation. Respondent Howmedica, Inc. (now named MTG Divestitures LLC) is a wholly-owned subsidiary of Warner-Lambert Company LLC, which is in turn a wholly-owned subsidiary of Respondent Pfizer Inc. Pfizer has no parent company and no publicly held company owns ten percent or more of Pfizer's stock.

TABLE OF CONTENTS

	Page
Questions Presented	i
Corporate Disclosure Statement	ii
Table of Contents	iii
Table of Cited Authorities	v
Table of Appendices	ix
Statement of the Case	1
A. Introduction	1
B. The Technology at Issue	4
C. The '457 Patent and the German Counterpart	5
D. The Interference Proceeding	7
E. Allen's Claims of Marketplace Misconduct	10
F. The District Court's Grant of Summary Judgment	12
G. The Federal Circuit's Judgment of Affirmance	13

Contents

	Page
Reasons for Denying the Petition	14
I. The Judgment of Affirmance Is Supported by the Record and Consistent with Well-Settled Law.	14
A. The Marketplace Statements Were Not Made in Bad Faith.	15
B. Allen Had Notice of, and Presented His Evidence on, the Issue of Bad Faith.	18
C. The Judgment of Affirmance Was Also Warranted on Alternative Grounds.	23
II. Allen's Constitutional Attack on the Judgment of Affirmance Is Meritless	27
Conclusion	30

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Page

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Bemis Mfg. Co. v. Dornoch Medical Sys., Inc., 21 Fed. Appx. 930 (Fed. Cir. 2001) 22, 23

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Page

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Hart v. Massanari, 266 F.3d 1155 (9th Cir. 2001) 28, 29

Kabakjian v. United States, 267 F.3d 208 (3d Cir. 2001) 23

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Massey v. Del. Laboratories Inc., 118 F.3d 1568 (Fed. Cir. 1997) 19

Matsushita Elec. Indus. Co., v. Zenith Radio Corp., 475 U.S. 574 (1986) 16

Mikohn Gaming Corp. v. Acres Gaming, Inc., 165 F.3d 891 (Fed Cir. 1998) 16, 17

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N.L.R.B. v. Amalgamated Clothing Workers, 430 F.2d 966 (5th Cir. 1970) 28

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Page

Symbol Technologies, Inc. v. Lemelson, 277 F.3d 1361 (Fed. Cir. 2002) 28, 29

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United States v. Baynes, 548 F.2d 481 (3d Cir. 1977) 28

Zenith Electronics Corp. v. Exzec, Inc., 182 F.3d 1340 (Fed. Cir. 1999) 15, 16, 17, 20, 24

Statutes:

15 U.S.C. § 1125(a) 10

28 U.S.C. § 46(c) 27

35 U.S.C. § 253 18

35 U.S.C. § 282 18

Cited Authorities

Page

Rules and Regulation:

Federal Circuit Rule 36 ..... *passim*

Federal Circuit Rule 47.6 ..... 14, 27, 29

Fed. R. App. P. 36(a)(2) 28

37 C.F.R. 1.56 6

Supreme Court Rule 10 14

TABLE OF APPENDICES

Page

Appendix A — Rules Involved 1a

Appendix B — Excerpts From Transcript Of Federal Circuit Audiotape Of January 8, 2003 Oral Argument 4a

STATEMENT OF THE CASE

A. Introduction

This Petition arises from a summary judgment granted by the U.S. District Court for the District of Delaware holding that Plaintiff George S. Allen ("Allen"), Petitioner herein, failed to establish a genuine issue of material fact with respect to Defendants' alleged bad faith, an essential element of each of his claims. On appeal, a Federal Circuit panel affirmed without dissent the grant of summary judgment. The panel and the Court *en banc* then denied Allen's petition for rehearing, also without dissent. Allen offers no compelling reason for further review by this Court.

In his 1998 complaint, as amended, Allen alleged that Defendants Howmedica Leibinger Inc. ("HLI"), Howmedica Inc. ("HI"), and Pfizer Inc. ("Pfizer") (collectively, "Defendants") violated the Federal Lanham Act and Ohio law of tortious interference with prospective business relations and disparagement by making certain marketplace references to their existing U.S. Patent No. 5,394,457 (the '457 patent). Allen claimed that Defendants' marketplace references were false and in bad faith, disparaged Allen's competing technology, and caused a third party, Picker International Inc. ("Picker"), to reduce the price it paid to acquire Allen's competing technology in 1997.

During two and one-half years of discovery and summary judgment briefing, it became clear that Allen's claims were fundamentally flawed in at least four respects. First, Defendants' marketplace references to the '457 patent and their product, which occurred in 1996-1998, were true. At the times such references were made, the '457 patent had been granted, was fully in force, was presumptively valid as a matter of law with respect to each of its twenty-two separate claims, and covered

the referenced product, namely, Defendants' medical device known as an implantable fiducial marker. In arguing that the references were false, Allen relied on (1) foreign patent proceedings under German laws and procedures involving a counterpart patent with fewer claims, and (2) an interference proceeding before the U.S. Patent and Trademark Office ("PTO"), in which Allen contested some, but not all, of the twenty-two claims of the '457 patent. Although the PTO ultimately held the '457 patent invalid in December 2000, after denying Defendants' motion to preserve claims 2-21 thereof by a 2-1 margin, the 1996-1998 patent references could not be rendered false by hindsight, as Allen contended.

Second, Picker did not rely on mere marketplace references to the '457 patent in valuing Allen's competing patent application. Rather, Picker, a sophisticated, billion dollar corporation, negotiated with Allen for approximately one year over its decision to purchase and license Allen's technology at a cost of well over a million dollars. Picker's patent lawyers fully investigated the '457 patent, the foreign proceedings, and the interference, and independently assessed their impact on the value of Allen's competing application.

Third, Defendants' marketplace references to the '457 patent and their own product did not cause Picker to make any decision that damaged Allen. Picker set its purchase price based on its own evaluation of Allen's technology. Picker's later failure to commercialize Allen's technology resulted from a number of factors unrelated to these marketplace references, including production problems, a change in business direction, and a deterioration in its relationship with Allen due to his refusal to settle the interference proceeding on terms that would have allowed Picker to market Allen's technology without concern as to an adverse ruling in the PTO.

And fourth, there was no evidence that Defendants' marketplace references to the '457 patent in 1996-1998 were made in bad faith. There was no evidence that non-party Howmedica Leibinger GmbH ("HLG"), or those assisting it, intentionally failed to disclose any prior art to the PTO in obtaining the patent in early 1995. There was no evidence that Defendants engaged in misconduct in the interference proceeding, begun in June 1996. Until the PTO's divided decision in December 2000, Defendants always believed that at least claims 2-21 of the '457 patent remained valid as a matter of law in part because Allen did not oppose their motion to separate these claims from the subject matter involved in the interference.

In January 2001, Defendants moved for summary judgment on several grounds, including that their marketplace patent references were true, were not relied on or material to Picker, and did not cause Allen damages. While Defendants stated in their opening brief that the district court did not need to resolve the issue of bad faith in order to rule in their favor, they denied therein Allen's accusations of bad faith and explained why they were without merit. In his answering brief, Allen presented his evidence on bad faith as well as on each of the other elements of his causes of action. Allen then filed his own motion for partial summary judgment on his Lanham Act claim and extensively briefed the same alleged evidence of bad faith that he had presented in opposition to Defendants' motion. Thus, the issue of bad faith was joined and fully ventilated in six briefs and thousands of pages of exhibits. The district court ruled in Defendants' favor on the issue of bad faith without reaching the issues of lack of reliance, materiality, or causation of damages.

On appeal to the Federal Circuit, Allen claimed that he did not have notice that the district court might rule against him on the issue of bad faith. Defendants demonstrated that Allen had notice and had presented his evidence on bad faith, and also

that affirmance was warranted on alternative grounds. After briefing and oral argument, the panel issued a judgment of affirmance without opinion under Federal Circuit Rule 36. The panel and the full Court also considered and denied Allen's combined petition for rehearing and rehearing *en banc*.

In his current Petition Allen makes factual claims contrary to the record, speculates as to a possible conflict in the case law where there is no reason to conclude that one exists, and ignores that the judgment of affirmance was "without opinion" in attempting to mount a constitutional due process and equal protection challenge to the practice of issuing non-precedential opinions. As shown below, Allen presents no compelling reason for Supreme Court review. The district court properly utilized summary judgment to resolve this lengthy, meritless contingent fee case. Both a panel of the Federal Circuit, and the Court *en banc*, correctly applied settled law to the facts on record in affirming that disposition without a single dissenting voice. Allen's Petition for a Writ of Certiorari should be denied.

B. The Technology at Issue

In the early 1990's, scientists at non-party HLG in Germany developed an implantable fiducial marker to help surgeons conducting image-guided brain surgery. In 1996, HLI began to distribute HLG's marker in the United States. One drawback to the implantable marker was that it was designed to be screwed into the patient's skull. HLI discovered that surgeons and their patients preferred cheaper, non-invasive adhesive markers that worked just as well as screw-in markers in the vast majority of applications. Over time, non-invasive adhesive markers came to dominate the image-guided surgery market, and implantable markers such as HLG's and Allen's never became big sellers.

At about the same time that HLG developed its implantable marker, scientists at Vanderbilt University, including Allen, working together with scientists at a subsidiary of Johnson & Johnson ("J&J"), developed an image-guided brain surgery system referred to as ACUSTAR®. The ACUSTAR® system also used an implantable marker. In 1996, after spending millions of dollars on fruitless development, J&J abandoned the ACUSTAR® project. After Allen threatened suit, J&J transferred the technology to Allen for free. Allen then shopped it to several prospective purchasers, including Picker.

In September 1997, after investigating Allen's technology and negotiating with him for over a year, Picker acquired Allen's hardware and licensed his technology for a sum in excess of one million dollars plus a royalty on sales. Picker initially attempted to bring Allen's technology to market. However, due to production problems, a change in business direction, and a deterioration in its relationship with Allen, Picker did not commercialize Allen's technology. Picker divested itself of its image-guided surgery business, including Allen's technology, in late 2000.

C. The '457 Patent and the German Counterpart

In 1993, HLG filed an application in the PTO that eventually became the '457 patent covering HLG's implantable marker. The '457 patent was based on an earlier German application that presented only three claims. The '457 patent, as redrafted for United States practice, had twenty-two separate claims.

Under German law, the German application was published in April 1994. Shortly thereafter, a German company initiated opposition proceedings to revoke or cancel the German patent based upon an earlier publication known as Rousseau II. In August 1994, HLG's German law firm received notice of the opposition. The firm brought the opposition to the attention of HLG but neglected to notify the U.S. law firm, Jones, Day,

Reavis & Pogue ("Jones Day"), that was prosecuting the '457 patent in the United States. When the '457 patent issued on February 28, 1995, neither Jones Day nor the PTO had been made aware of the German opposition proceeding or Rousseau II. (Pet. App. 5a-6a). The German firm's failure to forward information to Jones Day or the PTO was simply an unfortunate but innocent omission, as Allen essentially conceded by abandoning any attempt to take substantive discovery of the German firm or HLG.

In an effort to impute wrongdoing to the Defendants, Allen blurs the relationship between non-party HLG and Defendants Pfizer and HLI, and the timing of these early events. Allen claims that Pfizer and "Leibinger" (which Allen broadly defines to include non-party HLG) obtained the '457 patent in 1995 and that Pfizer and "Leibinger" knew of the defects in "their patent" since 1994. (Pet. 5). However, Pfizer did not acquire HLG and its intellectual property (including the '457 patent) until January 1996, nearly a year after the patent issued in February 1995. Similarly, Allen falsely attributes to HLI knowledge of the German opposition proceeding that was conveyed only to non-party HLG in August 1994. (Pet. at 6-7).[1] There is no evidence that any of Defendants' representatives involved in the 1996 interference proceeding were aware of a problem with the '457 patent until June 1997, when Allen's attorney, who learned about the German opposition proceeding from Picker, confronted Defendants' attorneys with that information. (*See* Sealed Excerpts from Lower Courts' Record ("LCR" at L34-L40).

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1. Allen claims without support that "Leibinger" violated its duty of disclosure under 37 C.F.R. 1.56 to bring the prior art to the attention of the U.S. patent examiner. (Pet. 7). Under 37 C.F.R. 1.56(d), HLG was entitled to rely on its German counsel to forward material information to the PTO without being accused of violating its duty of disclosure.

D. The Interference Proceeding

In October 1995, Allen amended his patent application relating to implantable markers to introduce claim 22 of the '457 patent to provoke an interference between his application and the '457 patent. On June 28, 1996, the PTO declared the interference to decide *inter alia* who had first invented the subject matter of the claims at issue. The interference was hotly contested, with Defendants taking both a defensive position to preserve the '457 patent and, later, an offensive position attacking the patentability of Allen's application.

In October 1996, Defendants sought to protect their patent against Allen's priority contentions by filing a preliminary motion to redefine the interference. The motion asked the PTO to designate claims 2-21 of the '457 patent as separately patentable and not corresponding to the subject matter of the interference. Allen *did not oppose* this motion. Thus, throughout the interference, Defendants always believed that the '457 patent would survive the interference with its claims 2 to 21 intact — a point of significance belying Allen's repeated assertions that Defendants "knew" their patent was invalid.

In 1997, after certain prior art came to light, Defendants took an offensive position by demonstrating that Allen's claims were unpatentable. In May 1997, while conducting due diligence in connection with its contemplated licensing of Allen's technology, Picker uncovered the German opposition proceeding, the Rousseau II reference, and a January 1996 ruling revoking the German patent, which was on appeal and not finally resolved until December 1997. Picker then informed Allen of its discovery. *See* Pet. App. 7(a)).[2] Soon thereafter, in November 1997, Defendants learned that Rousseau II was only one of a series of publications, including earlier publications

2. Allen incorrectly states that he learned this information in 1995. (Pet. 5).

known as Clarysse and Rousseau I, which were effective prior art against Allen's patent application as well as Defendants' claims 1 and 22. Defendants offered to withdraw their previous objection to the consideration of Rousseau II so long as the PTO considered the entire series of prior art references. In their final briefing, Defendants argued that the series of prior art references rendered Allen's claims unpatentable, and conceded that for consistency '457 patent claims 1 and 22 would also be invalid. (Pet. App. 8a).

Although Allen persists in accusing Defendants of misconduct in the PTO, neither the PTO, the district court, nor the Federal Circuit has ever found that any of Allen's accusations had merit. For example, Allen claims that Defendants knew "during all relevant times" that the '457 patent was invalid. (Pet. 6). In the hope of finding support for this accusation, Allen filed a motion in the district court seeking to compel the production of privileged documents based on the crime-fraud exception. After permitting Allen to select numerous documents from Defendants' privilege log for review, the district court denied Allen's motion by memorandum opinion dated September 15, 1999, concluding:

> The main point of contention is the intent element. The Court finds that the Plaintiff has made no showing with respect to this requirement of the crime-fraud exception. Furthermore, after careful review of a sampling of these documents in camera, *this Court is convinced that none of the documents were prepared in furtherance of withholding material information from the PTO* that would have otherwise prevented the patent from issuing. Rather, the documents at issue were prepared in the regular and ordinary course of dealings between a client and its attorney.[3]

3. Emphasis is added to quoted material unless noted to the contrary.

Similarly flawed is Allen's contention that Defendants acted in bad faith because they admitted in the PTO that "claims" of the '457 patent were invalid. (Pet. 7). Allen ignores that Defendants had moved to separate claims 2-21 of the '457 patent from the subject matter of the interference and that Allen had never opposed this motion. Thus, during the time when the marketplace references to the '457 patent occurred, Defendants always believed that the patent would survive the interference with at least most of its claims intact.

Allen also seeks to reargue his meritless claim that Defendants' July 1997 motion, challenging Allen's procedurally improper motion relating to Rousseau II, constituted a bad faith attempt to "keep [the Rousseau II] reference away from" the PTO. (Pet. 7). Again, neither the PTO, the district court, nor the Federal Circuit ever found that Defendants acted in bad faith by challenging Allen's defective motion. On the contrary, the PTO's final decision implicitly acknowledged that Allen's motion was improper, stating that the PTO had elected to "exercise its discretion to consider the issues of patentability raised by the parties subsequent to the above [preliminary motions] period, *even though the issues may not otherwise be entitled to consideration.*" Moreover, as noted above, Defendants offered to withdraw their opposition to Allen's improper motion so long as the PTO considered *all* the relevant prior art as applicable to both parties, and not just that on which Allen relied against Defendants. Rather than fault Defendants for this position, the PTO did as Defendants had suggested in considering all the relevant prior art.

On December 5, 2000, the PTO issued its final decision. The PTO unanimously vindicated Defendants' offensive position by finding Allen's claims unpatentable. As to Defendants' defensive position, by a two to one margin, the PTO denied Defendants' motion to find claims 2-21 separately patentable

and then held that all of the claims of the '457 patent were invalid.[4] Despite the PTO's divided decision, the '457 patent retained its presumption of validity until December 5, 2000, long after the marketplace references at issue.

E. Allen's Claims of Marketplace Misconduct

In October 1998, while the interference was pending, Allen filed suit in the district court claiming that Defendants "obtained a patent in the same field as Dr. Allen which significantly devalued" Allen's technology. However, tort claims for money damages cannot be based on conduct in the PTO, either in obtaining a patent or participating in an interference. Therefore, Allen attempted to frame his causes of action in terms of harm supposedly caused by Defendants' marketplace references to the '457 patent. Specifically, Allen alleged that Defendants had "falsely identified" their own marker as "protected by the '457 patent," that this "false representation" had disparaged Allen's marker and tortiously interfered with his prospective business relationship with Picker by "adversely affecting the sale price" of Allen's technology in their September 9, 1997 agreement. In his amended complaint, filed in July 1999, Allen similarly alleged that Defendants' "false representations" identifying the '457 patent had depressed the value of his technology in violation of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1998).

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4. The majority found that Defendants had not met their burden of proof to establish separate patentability in part because they had not addressed the impact of the three new prior art references in their motion to separate claims 2-21 from the interference. However, this prior art had come to light in 1997, several months after Defendants filed their motion. Moreover, Allen did not oppose the motion even in final briefing. The dissenting judge stated that he would grant Defendants' motion in light of Allen's failure to file an opposition or to address in final briefing why the motion should be denied.

After over two years of discovery Allen could point to only three allegedly damaging marketplace references to the '457 patent: (1) references in August 1996 by HLI representative Frank Murdock in responding to a telephone call from James McNally of Picker, (2) a reference in a January 1996 user's manual for HLG's marker, which Murdock provided to McNally following McNally's call; and (3) a reference in a 1998 "Technique Guide" for the marker.

With regard to the 1996 phone call, McNally of Picker, who led the negotiations that resulted in the acquisition of Allen's technology, telephoned Murdock of HLI after learning about the Defendants' implantable marker through a trade publication. Murdock believed that Picker (McNally) was a prospective purchaser of HLG's marker. McNally, who was operating under a non-disclosure agreement with Allen, never mentioned Allen or ACUSTAR®. And by McNally's own admission, Murdock likewise did not mention Allen or ACUSTAR®. McNally admittedly never felt threatened during that or any other communication between Picker and Defendants. Picker made no decisions regarding Allen's technology based on this ten-minute phone call. (LCR L48-L55).

Murdock then sent the 1996 user's manual to McNally, who forwarded it to Picker's in-house patent lawyers along with the patent itself for full evaluation. Picker did not rely on, and was not "deceived" by the patent reference, in deciding to acquire Allen's technology. By the time Picker entered into the September 1997 agreement, Picker had fully apprised itself of the '457 patent, the interference, the German revocation, and Rousseau II, and independently determined what it thought Allen's technology was worth.

The 1998 Technique Guide was published long after Allen and Picker concluded their agreement in September 1997. The Technique Guide could not have affected the price paid to

Allen by Picker. There was no evidence that Picker even saw the Technique Guide.

After it became apparent that Defendants' marketplace statements were accurate, did not deceive Picker, and did not depress the price that Allen received for his technology in 1997, Allen developed a fall-back claim that he never pled: i.e., that Defendants' marketplace references caused Picker not to commercialize his technology. This claim was also without merit. After acquiring Allen's technology, Picker encountered a series of regulatory, manufacturing, sterilization, packaging, distribution, and clinical issues in attempting to ready the product for market. Then, in mid 1998, Picker's relationship with Allen deteriorated due to Allen's refusal to accept a settlement of the interference, offered by Defendants, on terms that would have allowed Picker to commercialize the ACUSTAR® markers free from any concern as to an adverse ruling by the PTO. By December 1999, Allen's rejection of attempts to resolve the interference led Picker to conclude that Allen and his contingent fee lawyers were more interested in suing Pfizer than in commercializing his technology, a prioritization that Picker did not share. (LCR L39). Thus, Allen's complaint that he was "forced to bring this action because Defendants' acts foreclosed competition in the medical device field" (Pet. 6) is contrary to the record.

F. The District Court's Grant of Summary Judgment

Following discovery, Defendants filed a motion for summary judgment on several grounds, including that their marketplace statements were not false, did not deceive Picker, and were not relied on by Picker to Allen's detriment. (LCR L2-L4). While stating that the issue of bad faith "need not be decided" for the district court to rule in their favor, Defendants' opening brief repeatedly denied Allen's accusations of bad faith. (E.g., LCR L5 n.5, L6-L14 & n.15). In his answering

brief, Allen responded to Defendants' contentions by setting forth his evidence and argument on the issue of bad faith as well as the issues of lack of falsity, deception, reliance, or causation of damages. (LCR L16-L25).

The district court granted Defendants' motion for summary judgment, finding that Allen's evidence failed to raise a genuine issue of material fact that Defendants' representations were made in bad faith. *Allen v. Howmedica Leibinger, Inc.*, 197 F. Supp. 2d 101 (D. Del. 2002) (Pet. App. 17a-19a). Allen's contrary claim, that the district court found issues of fact regarding bad faith (Pet. 9), misstates the record. Because Allen's state law claims and his Lanham Act claims were based on the same marketplace statements regarding the '457 patent, and because bad faith is a necessary element of such claims, the district court granted summary judgment in favor of Defendants on all counts on the issue of bad faith alone. The district court did not need to reach Defendants' contentions regarding lack of reliance, materiality, or causation of damages.

G. The Federal Circuit's Judgment of Affirmance

On appeal to the Federal Circuit, Allen argued that he did not have notice that the issue of bad faith could be resolved against him. Defendants demonstrated that Allen had notice, that the district court's ruling on bad faith was correct on the merits, and that the district court's judgment could also be affirmed on alternative grounds that the district court did not need to reach. At oral argument, the panel addressed the issue of bad faith and Allen's claimed lack of notice, and also the alternative grounds supporting summary judgment.[5]

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5. Oral arguments before the Federal Circuit are not transcribed but recorded on audiotape. Excerpts from Defendants' transcription of the recording of oral argument in this case are attached as Resp. App. 4a-9a.

On January 15, 2003, the Federal Circuit issued a per curiam judgment of affirmance without opinion pursuant to Fed. Civ. R. 36. The judgment of affirmance was stamped non-precedential pursuant to Fed. Cir. R. 47.6, thus signifying the panel's unanimous view that the decision would not add significantly to the body of law. While Allen states that the judgment was by a "panel majority" (Pet. 10), there was no indication that any judge dissented. (Pet. App. 1a-2a).

On January 30, 2003, Allen filed a Combined Petition for Rehearing and Petition for Rehearing En Banc with a memorandum detailing his objections to the panel's ruling. On February 24, 2003, after consideration by the panel and all Federal Circuit judges in regular active service, the Court issued an order denying Allen's petition, also without dissent. This order was also designated non-precedential pursuant to Fed. Cir. Rule 47.6. (Pet. App. 21a-22a).

REASONS FOR DENYING THE PETITION

Allen attempts to establish two of the grounds identified in Supreme Court Rule 10 as warranting further review by this Court. First, Allen contends that the Federal Circuit so far departed from binding precedent as to call for exercise of this Court's supervisory power. Second, Allen contends that the Federal Circuit's judgment of affirmance, without opinion, presents an important question of constitutional due process and equal protection regarding non-precedential opinions. Neither contention has merit or presents a compelling reason for Supreme Court review.

I. The Judgment of Affirmance Is Supported by the Record and Consistent with Well-Settled Law.

Under Fed. Cir. Rule 36, the Federal Circuit may issue a judgment of affirmance without opinion when it determines that any of several conditions exist and that an opinion would have no precedential value. (Resp. App. 1a). Here, where the

affirmance dealt with a summary judgment, the applicable conditions are that the "the record supports summary judgment" and/or that the "judgment or decision" of the district court "has been entered without an error of law." Fed. Cir. Rules 36(c) and (e). (Resp. App. 1a). Thus, the Federal Circuit's judgment of affirmance was grounded on one or both of the following conclusions: (1) that the record and the law supported summary judgment on the issue of bad faith; and/or (2) that the record and the law supported summary judgment on alternative grounds that were fully aired in both the district court and the Federal Circuit.

The Federal Circuit's judgment of affirmance is supported by the record and correct as a matter of law. Allen presented no evidence that raised a genuine issue that the marketplace statements at issue were made in bad faith, after having notice of the issue and briefing it in both his opposition to Defendants' motion and in support of his own motion for summary judgment. Also, the record supports summary judgment for Defendants on the independent grounds of lack of reliance, materiality, or causation of damages.

A. The Marketplace Statements Were Not Made in Bad Faith.

To prevail on a Lanham Act claim, Allen was required to establish, *inter alia*, that Defendants made "a false and misleading statement of fact in commercial advertising or promotion" that "actually deceives or is likely to deceive a substantial segment of the intended audience," that was "material in that it is likely to influence purchasing decisions," and that "results in actual or probable injury." *Zenith Electronics Corp. v. Exzec, Inc.*, 182 F.3d 1340, 1348 (Fed. Cir. 1999). In addition, "before a patentee may be held liable under Section 43(a) for marketplace activity in support of its patent, and thus be deprived of the right to make statements about potential infringement of its patent, the marketplace activity must have been undertaken in bad faith." 182 F.3d at 1353. On Defendants' motion for

summary judgment, Allen's evidence on bad faith was to be viewed through the prism of his evidentiary burden at trial, *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 254 (1986), which was the high burden of clear and convincing evidence. *See Zenith*, 182 F.3d at 1352 (federal antitrust claims); *Mirafi Inc. v. Murphy*, 18 U.S.P.Q.2d 1087, 1088-89 (Fed. Cir. 1991) (state unfair competition claims).

Liability under the Lanham Act and state law causes of action can be imposed on a patentee only "for *marketplace statements* regarding infringement and scope of its patent." *Zenith*, 182 F.3d at 1354. The gravamen of a Lanham Act claim is "marketplace misconduct, *not abuse of the administrative and judicial process*." *Id.* at 1349. The remedy for patent procurement through alleged bad faith inequitable conduct is "the traditional remedy of having the patent adjudged unenforceable" but "not a suit for unfair trade practices under the Lanham Act." *Id.* Thus, Allen's claim that his technology was devalued by the prosecution or interference proceeding in the PTO was invalid as a matter of law. The only permissible theory of recovery was Allen's inherently implausible claim that Picker relied on Defendants' three marketplace references in making million dollar decision regarding Allen's technology. *See Matsushita Elec. Indus. Co., v. Zenith Radio Corp.*, 475 U.S. 574, 587 (1986) ("if the factual context renders [the non-movants'] claim implausible—if the claim is one that simply makes no economic sense–[the non-movants] must come forward with more persuasive evidence to support their claim than would otherwise be necessary").

Under the standards set forth by the Federal Circuit in *Zenith*, *supra*, and in *Mikohn Gaming Corp. v. Acres Gaming, Inc.*, 165 F.3d 891 (Fed. Cir. 1998), the Federal Circuit was compelled to affirm the district court's finding of no bad faith. The Federal Circuit considers three factors in determining whether a patentee's marketplace statements are in bad faith.

First, since "bad faith is not supported when the information is objectively accurate," a "threshold showing of incorrectness or falsity, or disregard for either, is required in order to find bad faith in the communication of information about the existence . . . of patent rights." 165 F.3d at 897. Second, because "'bad faith' may encompass subjective as well as objective considerations," the tenor and purpose of the patentholder's notice is relevant. *Id.* Third, allegations of bad faith must be considered in light of the patentee's rights under the patent laws, whereby a patentee "is fully permitted to press those rights 'even though he may misconceive what those rights are.'" *Id.* (quoting *Kaplan v. Helenhart Novelty Corp.*, 182 F.2d 311, 314 (2d Cir. 1950)).

First, the Defendants' marketplace statements were objectively accurate. As the district court recognized, "three things are clear: (1) all of Defendants' actions involve communications relating to their patent rights; (2) Defendants' technology was protected by the '457 patent when all communications at issue occurred; and (3) the '457 patent is presumed to be valid." (Pet. App. 12a-13a). Allen argued that Defendants acted in bad faith after "knowledge of the German revocation — *and therefore of the invalidity of the Leibinger patent*" had been conveyed to them. However, the district court correctly applied well-settled law in concluding that such an argument was "specious" because of the differences between foreign patent laws and procedures and those of the United States. (Pet. App. 18a-19a).

Second, the Defendants threatened no one. Their references to the existing '457 patent in the 1996 and 1998 brochures merely identified the patent applicable to HLG's marker, without a single assertion regarding infringement or scope of the patent. *See Zenith*, 182 F.3d at 1354. As discussed above, Murdock simply picked up the phone and offered to sell a product when McNally of Picker called. McNally never felt threatened by anything Murdock said, and there was no evidence that

Defendants ever threatened anyone else with infringement. Allen makes much of Murdock's "no problem" remark during the August 1996 phone conversation, contending that it was a bad faith threat that Defendants had a strong patent position. However, McNally admitted that he was not even sure if Murdock meant there was "no problem" as to the '457 patent or "no problem" as to HLI's willingness to sell the product to Picker or anyone else. (LCR L54). There was no evidence that Murdock, a non-lawyer, knew of the German opposition in August 1996. Even if that remark could be considered misleading, the district court found it wholly inadequate to create a genuine issue of material fact as to bad faith, and the Federal Circuit had compelling grounds to affirm.

Finally, the patent laws permitted Defendants to reference the '457 patent while they pressed their rights in the interference to preserve most of their claims and attack Allen's competing claims. *See, e.g.*, 35 U.S.C. § 282 ("Each claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim"); 35 U.S.C. § 253 ("Whenever, without any deceptive intention, a claim of a patent is invalid the remaining claims shall not thereby be rendered invalid").

The Federal Circuit had ample grounds to affirm the district court's finding that Allen had failed to present evidence raising a genuine issue that Defendants had acted in bad faith in referencing their '457 patent in their 1996-1998 marketplace statements.

B. Allen Had Notice of, and Presented His Evidence on, the Issue of Bad Faith.

Allen's claim of lack of notice that he could lose on the issue of bad faith fails in light of the record demonstrating

that Allen exhaustively briefed the issue in opposing Defendants' motion and in support of his own cross-motion. In their opening brief, Defendants "identif[ied] evidence which [they] believe[d] demonstrate[d] the absence of a genuine issue of material fact" on the issue of bad faith, *Equimark Commercial Finance Co. v. C.I.T. Financial*, 812 F.2d 141, 144 (3d Cir. 1987) (*citing Celotex Corp. v. Catrett*, 477 U.S. 317 (1986)), and Allen responded in his answering brief by presenting his evidence and argument on the issue. Nevertheless, even if these two briefs alone did not establish adequate notice, the briefs and the record filed in support of the parties' cross motions, taken as a whole, demonstrated that Allen was on notice that the issue of bad faith could be resolved against him and that Allen had and took his "opportunity to present relevant evidence in opposition to the granting of summary judgment" on that issue. *Chambers Development Co. v. Passaic County Utilities Authority*, 62 F.3d 582, 584 n.5 (3d Cir. 1995); *see also Massey v. Del. Laboratories Inc.*, 118 F.3d 1568, 1572-73 (Fed. Cir. 1997) (court may grant summary judgment to mon-moving party so long as the losing party received a "full and fair opportunity to ventilate the issues on which the district court granted judgment")

In their opening brief in support of their motion for summary judgment, filed January 19, 2001, Defendants denied that they had acted in bad faith even as they stated that the court need not resolve that issue to grant their motion in light of the record demonstrating lack of falsity, reliance or causation of damages. For example, Defendants denied that they had engaged in any improper misrepresentation (LCR L3), denied that the '457 patent was inequitably obtained (LCR L5 n.5), supplied evidence supporting their contention that they "always maintained that despite the prior art, at least the narrow claims of the '457 patent are separately patentable" (LCR L8 n.15), and asserted that "it certainly is not legally actionable for [Defendants] to pursue a strategy that prevented the issuance of an invalid patent to

Allen, that might have issued but for [Defendants'] interference success." (LCR L14). Contrasting their actions to those that the *Zenith* court stated would give rise to a claim of bad faith, Defendants plainly denied that they had taken any action that could give rise to such a claim (LCR L11):

> If Leibinger [i.e., Defendants] had advised Picker that Allen's marker infringed the '457 patent and that Allen could not design around the '457 patent, knowing these statements were false, Allen might have a remedy under the Lanham Act [citing *Zenith*, 182 F.3d at 1354-55], ... *But Leibinger has done none of these things; in fact, Leibinger has done nothing that makes it liable to Allen under any theory, including the Lanham Act.*

Thus, Defendants' opening brief pointed out to the district court — and to Allen — "the absence of evidence to support [Allen's] case" on bad faith. *See Celotex*, 477 U.S. at 325. Allen did not — and could not — ignore Defendants' denials of bad faith conduct. Therefore, in his answering brief in opposition to Defendants' motion, filed February 26, 2001, Allen set forth his alleged "Facts that Dispute Leibinger's Contention" on the issue of bad faith (LCR L20-L23) and devoted a separate section of his brief to the contention that "Defendants Acted in Bad Faith" (LCR L24-L25). Then, relying on the same evidence that he set forth in his answering brief in opposition to Defendants' motion, Allen reargued the issue of bad faith in his opening brief filed in support of his own motion for partial summary judgment on his Lanham Act claim, also filed on February 26, 2001. Attempting to have it both ways, Allen claimed that he did not need to address bad faith in his opposition brief because Defendants had not specifically moved on that issue. But having responded to Defendants' denials of bad faith with his evidence and argument in his answering brief, Allen was on notice that the issue was in play in both motions.

On March 29, 2001, Defendants filed their reply in support of their own motion and their answering brief in opposition to Allen's. In their reply, Defendants noted that Allen's arguments in his answering brief (which included bad faith) mirrored those in Allen's opening brief in support of his own motion, and that Defendants addressed those contentions in their answering brief in opposition to Allen's motion as well as in their reply. (LCR L30). In their answering brief, Defendants "designated numerous specific facts that would compel any reasonable jury to find *in their favor*" on the elements of Allen's Lanham Act claim, including bad faith. (LCR L41, L34-L40). Again, Allen was on notice that the issue of bad faith could be resolved against him.

In his reply brief filed April 27, 2001, Allen had the last opportunity to address all of Defendants' evidence and arguments on bad faith, and he attempted to do so. The district court fairly concluded, on the basis of the six briefs filed over a four month period, with thousands of pages of exhibits, that "the parties arguments in support of and in opposition to the instant Motions virtually mirror one another." (Pet. App. 10a n.4).

Allen has never identified, either to the Federal Circuit or to this Court, the evidence of bad faith that he supposedly chose to withhold, believing it not worthy of inclusion either in his discussion of bad faith in his answering brief in opposition to Defendant's motion or in support of his own summary judgment motion. Instead, Allen claims that he did not need to address the issue because Defendants "conceded" their bad faith through isolated phrases in their *reply* brief in support of their motion. (Pet. 3, 7, 8, 9). Defendants made no "concession" regarding bad faith in this brief, and the courts below were never misled by Allen's arguments in that regard. While Defendants emphasized that the district court did not need to reach the issue, noting that Allen's accusations of bad faith were not "relevant"

to their original motion, Defendants responded with two pages of argument as to why "Allen's accusations of bad faith . . . are wholly without merit." (LCR L27-L29). Allen's claim that Defendants' "conced[ed] their own bad faith" is plainly contrary to the record. (Pet. 7). Rather, Allen's attempts in his answering brief to respond to Defendants' denials of bad faith in their opening brief was a clear concession that Allen had notice that Defendants disputed his accusations of bad faith and that he had an opportunity, which he took, to address that issue in opposing Defendants' motion.

Allen incorrectly asserts that the Federal Circuit's "opinion" in this case is contrary to *Chambers*, *supra*, and the Federal Circuit's non-precedential opinion in *Bemis Mfg. Co. v. Dornoch Medical Sys., Inc.*, 21 Fed. Appx. 930 (Fed. Cir. 2001). (Pet. 10, 12). The judgment of affirmance without opinion is not inconsistent with either *Chambers* or *Bemis* because the facts in the instant case sharply differ from the facts that compelled reversal in those cases. Defendants' denial of bad faith in their opening brief in support of their motion, compelling Allen to come forward in his answering brief with his evidence and arguments regarding bad faith, stands in stark contrast to the circumstances discussed in *Chambers* and *Bemis*. In those cases, the district court's grant of summary judgment was truly *sua sponte* because the defendant had addressed the dispositive issue only in opposing plaintiff's motion for summary judgment and had not referred to the issue in its own motion for summary judgment. In addition, here, the Federal Circuit had clear alternative grounds on which to affirm the district court's summary judgment even if it agreed with Allen's contention as to notice on the issue of bad faith. *See* Section I.C, *infra*. That was not the case in either *Chambers* or *Bemis*.

In sum, Allen fully ventilated the issue of bad faith by responding to Defendants' evidence and argument in both his brief opposing Defendants' motion and his briefs in support of

his own motion. *Chambers* and *Bemis* are clearly distinguishable on their facts. Allen has no basis to accuse the Federal Circuit of ignoring Third Circuit precedent or of acting out of "bias" in order to protect Defendants' "patent rights" (even though the PTO had long since declared the '457 patent invalid). (Pet. 13-14).[6]

C. The Judgment of Affirmance Was Also Warranted on Alternative Grounds.

Allen's attack on the Federal Circuit's judgment of affirmance incorrectly assumes that the Federal Circuit could affirm only on the issue of bad faith. Allen ignores that the Defendants' Federal Circuit brief, and the Court's questioning at oral argument, focused as well on the alternative grounds raised in Defendants' summary judgment motion that the district court did not need to reach, including lack of reliance, materiality, and lack of causation of damages. It is well settled that the Federal Circuit could affirm the district court's grant of summary judgment on these grounds or on any "arguments supported by the record and advanced in the trial court in support of the judgment as an appellee." *E.g.*, *Bailey v. Dart Container Corp. of Michigan*, 292 F.3d 1360, 1362 (Fed. Cir. 2002); *Kabakjian v. United States*, 267 F.3d 208, 213 (3d Cir. 2001) (court "may affirm a judgment on any ground apparent from the record, even if the district court did not reach it").

---

6. Allen also incorrectly claims that Defendants neglected to move on the issue of whether their statements, if not false, might have been misleading, and that this separate cause of action "had to be resolved" in order for Defendants to prevail on summary judgment. (Pet. 7, 11). Defendants did not move on a "misleading" cause of action because Allen did not include it in his pleadings but rather injected it into his summary judgment briefs as a fall-back contention. The absence of bad faith negates liability whether the claim is founded on "false" or "misleading" statements. Moreover, Defendants raised other grounds for summary judgment, including lack of reliance, materiality or causation, that were independently dispositive. (LCR L3-L4).

Defendants demonstrated, in both the district court and the Federal Circuit, that Allen failed to present evidence that the allegedly false marketplace statements actually deceived the intended audience, that any alleged deception caused by the statement was "material," and that the statements "result[ed] in actual or probable injury." *Zenith*, 182 F.3d at 1348. Allen's allegation that Picker relied to Allen's detriment on McNally's August 1996 phone call to Murdock, and the 1996 user's manual, is inherently implausible. Such claim is wholly without merit light of Picker's exhaustive due diligence regarding the German proceeding, Rousseau II, and the interference proceeding, prior to making its purchasing decision in September 1997. On every substantial aspect of Allen's contention that Picker was deceived, Picker's 30(b)(6) designee McNally testified that before signing the September 1997 agreement, Picker was aware of the facts, had consulted with its counsel, and had taken those facts into account before entering into the agreement. Indeed, Picker expressly provided in the 1997 agreement that Allen was expected to win the interference and that there would be a downward adjustment of the royalty rate if Allen did not prevail — hardly the act of a consumer deceived by Defendants' mere patent references.

Allen also failed to present any evidence that the alleged "deception" caused by the marketplace statements was "material in that it [was] likely to influence purchasing decisions." *Zenith*, 182 F.3d at 1348; *U.S. Healthcare, Inc. v. Blue Cross of Greater Philadelphia*, 898 F.2d 914, 922 (3d Cir.), *cert. denied*, 498 U.S. 816 (1990). Allen presented no evidence that the any of the marketplace statements were material to Picker's purchasing decision or its decision not to commercialize Allen's technology.

To recover damages, Allen was required to "prove both actual damages and a causal link between defendant's violation and those damages." *Rhone-Poulenc Rorer Pharmaceuticals, Inc. v. Marion Merrell Dow, Inc.*, 93 F.3d 511, 515 (8th Cir.

1996). Where, as here, plaintiffs have failed to present evidence of injury caused by marketplace statements, courts have not hesitated to grant summary judgment dismissing unfair competition claims. *Dethmers Mfg. Co. v. Automatic Equip. Mfg. Co.*, 70 F. Supp. 2d 944, 981 (N.D. Iowa 1999), *aff'd in part, rev'd in part on other grounds*, 272 F.3d 1365 (Fed. Cir. 2001); *Accent Designs, Inc. v. Jan Jewelry Designs, Inc.*, 827 F. Supp. 957, 965 (S.D.N.Y. 1993).

The following colloquy at oral argument illustrates the Federal Circuit's concern regarding Allen's failure to establish a genuine issue as to reliance, materiality, or causation of damages (Pet. App. 4a-6a):

> JUDGE NEWMAN: So how can Dr. Allen have been injured when everybody knew soon enough, early in these proceedings, that [there] were these taints . . . ? Not taints, problems. . . .
>
> [colloquy follows]
>
> You're seeking damages, right?
>
> MR. WELLS [Allen's Counsel]: That's correct. And our damages are based in part on the fact that Picker, a licensee, *would not sell the product which would have resulted in license fees to Dr. Allen until this patent issue was resolved in their favor.*[7] So he's damaged by the fact that no sale would ever be made until this, this conduct stopped.

---

7. By this statement, Allen again concedes that the alleged complicating factor for Picker was not any marketplace statement by Defendants, but the interference proceeding before the PTO. Under *Zenith*, claims such as this that are based on PTO proceedings, rather than marketplace statements, cannot give rise to a cognizable cause of action under either the Lanham Act or state unfair competition laws.

JUDGE MICHEL: But wasn't the questions about the patent cleared up by research, rather than by relying on what Murdock said in one short telephone call?

MR. WELLS: Unless the owners of the patent . . . disclaim it, or unless a court finds a patent invalid, anyone who manufactures, uses or sells product is still at risk. . . .

JUDGE MICHEL: . . . If I'm McNally, and let's assume I'm told by Murdock: "We've got a patent, it's rock solid. . . ." and I say "Well, that's what he says but I've got my own lawyer, I'm going to have my own lawyers check this out," and then his lawyers tell him whatever they tell him. In that circumstances, aren't I, Picker's people, McNally, relying on my own lawyer's conclusion, not on the oral representations in a brief phone call by Murdock? Just as a matter of common sense . . . .

MR. WELLS: I don't know what their lawyers told them. . . .

JUDGE MICHEL: But is it not the case that Picker did its own research? . . . Whatever Murdock said, . . . after that the Picker people did their own research and drew their own conclusions? Is that not a fact?

MR. WELLS: I – there is some evidence in the record that the Picker people did some of their own research, that's true. They still concluded that they were at risk.

JUDGE MICHEL: Yeah, but the conclusion in that event would be based on their own research, not on what Murdock said. So what Murdock said has no operative effect.

In sum, the Federal Circuit had ample grounds to affirm the district court's summary judgment on the issues of lack of reliance, materiality, and causation, as well as lack of bad faith.

II. Allen's Constitutional Attack on the Judgment of Affirmance Is Meritless.

Allen argues that the Federal Circuit's judgment of affirmance without opinion and its order denying Allen's petition for rehearing violated the Fifth Amendment because they were designated non-precedential under Fed. Cir. Rule 47.6(b). Allen asks that Rule 47.6(b) be stricken and, by implication, that similar rules in other courts be declared unconstitutional. (Pet. 14, 16).

As a threshold matter, Allen's attack on Rule 47.6 is wholly misplaced. The judgment of affirmance in this case was issued under Fed. Cir. R. 36 without opinion. Allen's Petition does not properly raise a challenge to the constitutionality of non-precedential opinions for the simple reason that there is no opinion at issue here that has been designated non-precedential. Allen's misplaced attack on non-precedential opinions would have far-reaching implications, as local rules "limiting the precedential effect of unpublished decisions exist in every federal circuit and all but four states." *Hart v. Massanari*, 266 F.3d 1155, 1163 n.7 (9th Cir. 2001). If the issue of the constitutionality of non-precedential opinions were worthy of certiorari at all, at the very least, the issue should be presented in the context of a case in which a non-precedential opinion was actually issued. This is not such a case.

Allen does not directly challenge the practice of issuing judgments of affirmance without opinion, presumably because the practice is universally recognized as proper. The governing statute, 28 U.S.C. § 46(c), merely requires that cases be "heard and determined." The Federal Rules of Appellate Procedure provide for judgments without opinion in every

circuit. Fed. R. App. P. 36(a)(2). Federal courts of appeal have uniformly held that "a litigant's right to have all issues fully considered and ruled on by the appellate court does not equate to a right to a full written opinion on every issue raised." *Bernklau v. Principi*, 291 F.3d 795, 801 (Fed. Cir. 2002); *United States v. Baynes*, 548 F.2d 481, 483 (3d Cir. 1977) (disposition by order without opinion withstood due process challenge); *Furman v. United States*, 720 F.2d 263, 264 (2d Cir. 1983) (no requirement that order be accompanied by opinion); *N.L.R.B. v. Amalgamated Clothing Workers*, 430 F.2d 966, 971-972 (5th Cir. 1970) (same). Allen does not refer to a single decision questioning the constitutionality of judgments of affirmance without opinion. Where, as here, Allen had every opportunity to make his arguments and to respond to the Federal Circuit's detailed questioning regarding the weaknesses in his case, Allen cannot reasonably claim that the judgment of affirmance without opinion deprived him of due process or equal protection.

Even if Allen's Petition had properly placed before the Court a question relating to the constitutionality of non-precedential opinions, that question is not one that compels the attention of this Court. Non-precedential decisions are not necessarily "arbitrary" and/or "unfair" as Allen claims. (Pet. 14, 17). Courts of appeal have recognized that non-precedential opinions "do not give the judiciary free will to reinvent the law; they merely permit a judgment about whether a case contributes significantly to the body of law." *Symbol Technologies, Inc. v. Lemelson Medical*, 277 F.3d 1361, 1368 (Fed. Cir.), *cert. denied*, 123 S. Ct. 113 (2002); *Hart*, 266 F.3d at 1177. The only decision that Allen relies upon as questioning non-precedential decisions was vacated as moot. (Pet. 16).

Allen argues that the only value in a non-precedential opinion is that it allows a court to "hide its mistakes" (Pet. 16). Not only is this argument insulting, it also ignores the fact that

"[s]ufficient restrictions on judicial decisionmaking exist to allay fears of irresponsible and unaccountable practices such as 'burying' inconvenient decisions through nonpublication." *Hart*, 266 F.3d at 1177-78 n.35. In this case, for example, three experienced judges reviewed Allen's contentions, and every active judge on the Federal Circuit reviewed Allen's petition for rehearing *en banc*. The vote of any single member of the panel or the Court *en banc* would have been sufficient to require that a precedential opinion be issued. Fed. Cir. R. 47.6(b). (Resp. App. 3a-4a).

Allen's argument also ignores the value of non-precedential opinions in enabling the federal courts of appeals to effectively manage their ever-increasing caseload. In light of this concern, in 1972 the Judicial Conference requested that all federal appellate courts develop an opinion publication plan, the result being the approval, by all the circuits, of non-precedential decisions. *See Symbol Technologies*, 277 F.3d at 1368. The need to select only a "manageable number of cases in which to publish precedential opinions," *Hart* at 1177, is compelling, given the staggering caseload of the federal courts of appeals. Allen ignores this justification for not only Federal Circuit Rule 47.6(b), but all similar local rules.

Allen utterly fails to substantiate his accusation that the judgment of affirmance without opinion in this case was unconstitutionally arbitrary or unfair. The Federal Circuit had grounds to affirm the district court's summary judgment on several issues, and Allen's accusation that the Court ignored controlling precedent is baseless. Allen's attempt to inflate his disagreement with the lower courts' decisions into a violation of his Fifth Amendment rights is without merit and presents no compelling reason for Supreme Court review.

CONCLUSION

For the foregoing reasons, Allen's Petition for a Writ of Certiorari should be denied.

Respectfully submitted,

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APPENDIX A — RULES INVOLVED

Federal Circuit Rules

Rule 36. Entry of Judgment – Judgment of Affirmance Without Opinion

The court may enter a judgment of affirmance without opinion, citing this rule, when it determines that any of the following conditions exist and an opinion would have no precedential value:

a. the judgment, decision, or order of the trial court appealed from is based on findings that are not clearly erroneous;

b. the evidence supporting the jury's verdict is sufficient;

c. the record supports summary judgment, directed verdict, or judgment on the pleadings;

d. the decision of an administrative agency warrants affirmance under the standard of review in the statute authorizing the petition for review; or

e. a judgment or decision has been entered without an error of law.

Appendix A

Rule 47.6. Opinion and Order of the Court

(a) **Disposition of Appeal, Motion, or Petition; Precedential Effect.** Disposition of an appeal may be announced in an opinion; disposition of a motion or petition may be announced in an order. An appeal may also be disposed of in a judgment of affirmance without opinion pursuant to Federal Circuit Rule 36. A disposition may be cited as precedent of the court unless it is issued bearing a legend specifically stating that the disposition may not be cited as precedent.

(b) **Nonprecedential Opinion or Order.** An opinion or order which is designated as not to be cited as precedent is one unanimously determined by the panel issuing it as not adding significantly to the body of law. Any opinion or order so designated must not be employed or cited as precedent. This rule does not preclude assertion of claim preclusion, issue preclusion, judicial estoppel, law of the case, or the like based on a decision of the court designated as nonprecedential.

(c) **Request to Make an Opinion or Order Precedential; Time for Filing.** Within 60 days after any nonprecedential opinion or order is issued, any person may request, with accompanying reasons, that the opinion

or order be reissued as precedential. An original and 6 copies of the request must be filed with the court. The request will be considered by the panel that rendered the disposition. The requestor must notify the court and the parties of any case that person knows to be pending that would be determined or affected by reissuance as precedential. Parties to pending cases who have a stake in the outcome of a decision to make precedential must be given an opportunity to respond. If the request is granted, the opinion or order may be revised as appropriate.

(d) **Public records.** All dispositions by the court in any form will be in writing and are public records.

APPENDIX B — EXCERPTS FROM TRANSCRIPT OF FEDERAL CIRCUIT AUDIOTAPE OF JANUARY 8, 2003 ORAL ARGUMENT

IN THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

Appeal No 02-1369

GEORGE S. ALLEN

Plaintiff-Appellant

v.

HOWMEDICA LEIBINGER, INC., HOWMEDICA, INC., and PFIZER, INC.,

Defendants-Appellees.

Excerpts from Oral Argument
dated January 8, 2003

BEFORE: JUDGE PAULINE NEWMAN
JUDGE PAUL R. MICHEL
JUDGE ALAN D. LOURIE

* * *

JUDGE NEWMAN: So how can Dr. Allen have been injured when everybody knew soon enough, early in these proceedings, that these were these taints on the entire patent structure in this field? Not taints, problems.

MR. WELLS: How could Dr. Allen have preceded him commercially?

JUDGE NEWMAN: Injury, we're talking about damages, right? That's what the whole —

MR. WELLS: Yes.

JUDGE NEWMAN: — issue is. And under state tort law and the Lanham Act, you're seeking damages, right?

MR. WELLS: That's correct. And our damages are based in part on the fact that Picker, a licensee, would not sell the product which would have resulted in license fees to Dr. Allen until this patent issue was resolved in their favor. So he's damaged by the fact that no sale would ever be made until this, this conduct stopped.

JUDGE MICHEL: But wasn't the question about the patent cleared up by research, rather than by relying on what Murdoch said in one short telephone call?

MR. WELLS: Unless the owners of the patent who know that the patent is invalid disclaim it, or unless a court finds a patent invalid, anyone who manufactures, uses or sells product is still at risk. This is not —

JUDGE MICHEL: I'm having trouble following that. If I'm McNally, and let's assume I'm told by Murdoch: "We've got a patent, it's rock solid, we've had it analyzed by six different people and they agree it has no validity problems," and on and on and on like that, I'm McNally, and

I say "Well, that's what he says, but I've got my own lawyer, I'm going to have my own lawyers check this out," and then his lawyers tell him whatever they tell him. In that circumstance, aren't I, Picker's people, McNally, relying on my own lawyer's conclusion, not on the oral representations in a brief phone call by Murdoch? Just as a matter of common sense, I mean —

MR. WELLS: I don't know what their lawyers told them. But there was a letter that Dr. Allen received from a Dr. Gylling in December of 1999 which specifically stated that Picker's position was they were reluctant, or indicated that they were reluctant to sell the product, because even though they believed it's invalid, they would be at risk of lawsuit.

JUDGE MICHEL: But is it not the case that Picker did its own research? Let me just put it that way. That after being told by Murdoch -- whatever Murdoch said, we weren't there, we don't know. Whatever Murdoch said, that after people did their own research and drew their own conclusions? Is that not a fact?

MR. WELLS: I — there is some evidence in the record that the Picker people did some of their own research, that's true. They still concluded that they were at risk.

JUDGE MICHEL: Yeah, but the conclusion in that event would be based on their own research, not on what Murdoch said. So what Murdoch said has no operative effect.

MR. WELLS: Well it does have an operative — we're talking about, under the Lanham Act, for example, not tortious interference for the time being. We're talking about deceit and deception and confusion in the marketplace.

Now had they told the truth and said "We have a patent position," what claims, for example, the most important claims from Picker, in effect they were claims 1 and 22 "are invalid and we're not going to enforce them," they would have sold the product. But they never did that. Quite to the contrary —

JUDGE MICHEL: Isn't Judge Newman right, that there has to be injury, not only misleading statements or false statements or something like that, but they have to have caused discernible harm?

MR. WELLS: Yes —

JUDGE MICHEL: And if, if the Picker people relied on their own analysis, not on what Murdoch said, then doesn't that compel the inference that there was no harm flowing from what Murdoch said?

MR. WELLS: No, no. Harm is what they intend to do with their patent and they're indicating that intent to their continuing conduct in the marketplace. They're still touting their patent in the marketplace, even in 1998. So the message they're getting in the context of an interference where they've admitted their patent is invalid, the message they're getting is you sell this product, we are going to go after you, you are at risk. That's the message they're getting. If they got a

different message, they would have sold the product. They never got the truthful message, that is, the two claims are invalid, you can go sell your product if you want.

It's exactly the kind of claim the Lanham Act contemplates. They've caused confusion and disruption in the marketplace by misstatements, false statements, misleading statements.

JUDGE NEWMAN: Okay, we do need — is there a last word that, that you have for us, other than to ask us to decide in your favor?

MR. WELLS: Our position is consistent with *Hunter Douglas* and the trilogy of cases that is the foundation of these —

JUDGE MICHEL: What's the relief?

MR. WELLS: The relief? Well, there's two or three.

JUDGE MICHEL: Well, I read your conclusion section, the relief you asked for. I can read. But I mean the essence of it, are you satisfied if we go back to the status quo ante and have a broader array of issues fought out on cross-motions for summary judgment?

MR. WELLS: Well, certainly I believes we should have the opportunity to introduce all our evidence on summary judgment. If the parties want to proceed, I have no idea how the parties proceed if the decision is vacated and remanded.

However, I suggest on one issue that we're entitled to go to trial nevertheless. The court below ruled or found that on the "no problem" statement there was a material issue of fact and that was ripe for valuation by a trier of fact, and that the defendants knew about it.

JUDGE MICHEL: I take it then your answer is no, it would not be satisfactory to vacate and remand?

MR. WELLS: Well —

JUDGE MICHEL: And still have summary judgment be the state of play? That apparently is not satisfactory to you.

MR. WELLS: Well, that's correct. We would like to go to trial on that issue.

JUDGE NEWMAN: Okay. Thank you, Mr. Wells and Mr. Hutz. Case is taken under submission.

(Conclusion of tape.)

Supreme Court, U.S.
FILED
AUG 18 2003
OFFICE OF THE CLERK

(3)

No. 02-1765

IN THE

Supreme Court of the United States

GEORGE S. ALLEN,

Petitioner,

v.

HOWMEDICA LEIBINGER, INC.,
HOWMEDICA, INC. and PFIZER, INC.,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

REPLY BRIEF

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TABLE OF CONTENTS

Page

Table of Cited Authorities ii

I. Introduction 1

II. Defendants' Lengthy Rendition of Facts in its Opposition Are Irrelevant to the Issue of Notice and Due Process Raised in this Petition. 2

III. Reasons For Granting The Petition 4

A. Defendants' Concessions That They Did Not Move on Issues upon Which Summary Judgment Rests Evidence a Failure to Notice Non-Movant 4

1. Defendants' Concede They Did Not Move on the Misleading Issue 4

2. Defendants' Concede They Did Not Move on the Bad Faith Issue 6

3. This Panel's *per Curiam* Decision Conflicts with Another Panel's Ruling in *Bemis* Regarding a Similarly-Situated Litigant 8

B. Defendants Cannot Rely on Alternative Grounds 8

C. By Arbitrarily Designating its *per Curiam* Order as Non-Precedential, the Federal Circuit Panel Treats Similarly-Situated Litigants Unequally 8

IV. Conclusion 10

TABLE OF CITED AUTHORITIES

Page

CASES

Anastasoff v. United States, 223 F.3d 898 (8th Cir. 2000), *vacating as moot on other grounds*, 235 F.3d 1054 (8th Cir. 2000) (*en banc*) 9, 10

Batterton v. Francis, 432 U.S. 416 (1977) 9

Bemis Manufacturing Co. v. Dornoch Medical Sys., Inc., 21 Fed. Appx. 930 (Fed. Cir. 2001) 8

Castrol Inc. v. Pennzoil Co., 987 F.2d 939 (3d Cir. 1993) 3

Celotex Corp. v. Catrett, 477 U.S. 317 (1986) ... 1, 2, 5, 10

Chambers Development Co. v. Passaic County Utilities Authority, 62 F.3d 582 (3d Cir. 1995) .. 5

Massey v. Congress Life Ins. Co., 116 F.3d 1414 (11th Cir. 1997) 5

Massey v. Del Labs., Inc., 118 F.3d 1568 (Fed. Cir. 1997) 7

Pinaud v. County of Suffolk, 52 F.3d 1139 (2d Cir. 1995) 5

Singleton v. Wulff, 428 U.S. 106 (1976) 8

Cited Authorities

Page

CONSTITUTIONAL PROVISIONS

U.S. Const. Amend. V 1, 8, 9

STATUTES

15 U.S.C. § 1125(a)(1)(B) 3

RULES

D.C. Cir. R. 28(c)(1)(B) 9

Fed. Cir. Rule 36 9

Fed. Cir. Rule 47.6 ..... 9, 10

I. Introduction

This case concerns whether Defendants, which admitted their patent was invalid and procured through inequitable conduct, could nevertheless promote that patent in the marketplace to put Plaintiff Dr. Allen out of business and capture the market for new medical technology. The district court condoned this conduct and the Federal Circuit affirmed. That order should not stand because it incorrectly affirms that summary judgment may be granted *sua sponte* without first placing the losing party on notice that "she had to come forward with all of her evidence" on dispositive issues. *Celotex Corp. v. Catrett*, 477 U.S. 317, 326 (1986). This directly contravenes binding precedent of this Court, the Third Circuit and other appellate courts.

Respondents assert in their Opposition that Petitioner was on notice to respond with all his rebutting evidence, despite their concession that they failed to raise or mention the dispositive issues. By granting this Petition, the Court may resolve the confusion surrounding the proper notice standard in summary judgment proceedings and ensure that specialized appellate courts do not act with institutional bias. Furthermore, the Court has not addressed the level of notice required under *Celotex* since 1986, and it should make clear that once a moving party concedes an issue in its summary judgment briefing, the non-movant is no longer under any obligation to address that issue.

Additionally, courts' discretion to designate judgments as non-precedential should not be permitted because it allows courts to apply the law unequally to similarly-situated litigants in violation of the Fifth Amendment. By labeling a judgment that departs from binding precedent as non-precedential, the court's departure is insulated from further scrutiny by other courts, the bar, and legal scholars, resulting in inconsistent case law and potential judicial abuse in violation of the Fifth Amendment. It also would permit the Federal Circuit to hide decisions which would otherwise be subjected to severe criticism of the entire bar for arbitrarily condoning the gross

misuse of patents. Local rules should not permit courts to ignore binding precedent in an unconstitutional manner. The Supreme Court should set guidelines to prevent an abuse of the rules that result in two bodies of law, precedential judgments that meet due process and non-precedential ones that do not.

II. Defendants' Lengthy Rendition of Facts in its Opposition Are Irrelevant to the Issue of Notice and Due Process Raised in this Petition.

The question posed by Petitioner Allen is not whether there are facts that may have supported Defendant Respondents at trial, but whether he received notice of the issues on which Defendants moved on summary judgment, consistent with the prescriptions of this Court in *Celotex*. In its Opposition, Defendants delve into a lengthy exposition of facts in an improper attempt to raise inferences in their favor. Defendants also fail to recognize that they conceded "bad faith" and failed to move on it in briefing "unenforceability" and "misleading" issues in their summary judgment. Instead, Defendants argue that *Allen* failed to introduce evidence of inequitable conduct (*i.e.*, unenforceability). (Opp. 13). But Allen had no reason to submit evidence on this issue because Defendants never moved on bad faith as associated with unenforceability. In fact, the absence of inequitable conduct as a contested issue was specifically noted by the district court in its decision, stating that it "will not address these allegations." (App. 18a, n.5). Consequently, the record is devoid of both argument and fact surrounding inequitable conduct as a basis of establishing bad faith since neither party raised the issue, and no court has addressed it. Yet, without any explanation, the district court decided the issue in favor of Defendants without noticing Allen.

The district court also overlooked Defendants' acknowledgment that their "misleading" statements concerning their patent position were not part of its motion and therefore not properly before any court for consideration. Defendants assert they did not move on a misleading cause of action because Allen did not include it in his pleadings. (Opp. 23, n.6). That is

nonsense. The Complaint specifically made a Lanham Act claim which requires a claimant show *either* a false or misleading statement of fact in promoting goods. 15 U.S.C. § 1125(a)(1)(B). The district court clearly understood the Lanham Act disjunctively contemplates both "false" or "misleading" representations, holding that at least one of Defendants' statements was *misleading* (rather than "literally false") and raised an issue which should be submitted to the trier of fact. (App. 16a).

Furthermore, Petitioners' new argument that the misleading issue was not raised in the Complaint belies their own summary judgment motion where they argued that their statements were not "deceptive." Deception becomes relevant only with respect to "misleading" representations, because it is presumed with respect to literally false statements. *Castrol Inc. v. Pennzoil Co.*, 987 F.2d 939, 943 (3d Cir. 1993). If Respondents really believe that Allen had somehow eschewed the "misleading" aspect of a Lanham Act cause of action, all their arguments based on the absence of "deception" would have been moot. More importantly, in their answering brief in opposition to Allen's motion for partial summary judgment, Defendants acknowledged that Allen had a claim for misleading statements, but did not raise it in his partial summary judgment motion. (LCR at L42).

Thus the record is crystal clear that the "misleading" nature of the statements was not raised in either parties' motions for summary judgment and therefore cannot be a basis for summary disposition of the case. Although the district court found that there was a material issue of fact with respect to misleading statements which should be tried by the jury, for some inexplicable reason the district court did not address that knowledge of a statement as misleading constitutes bad faith. Even though the district court's oversight was brought to the attention of the Federal Circuit, they ignored it.

As Allen had no notice that he could be subjected to summary judgment on the "unenforceability" and "misleading"

elements of his causes of action, he did not propound evidence to justify these allegations. For example, testimony between Allen, his investment banker, customers and Defendants, concerning the effect of the misleading statements on the marketplace are not in the record. Conduct such as paying fees to keep the '457 patent in force despite admitting that certain of its claims were invalid; and admissions of in-house counsel that they knew of the invalidity of their patent from a very early date, and yet continued to assert the patent in the marketplace, are other examples of misleading acts that were not addressed and which should not be disposed of by summary judgment.

The facts set forth by Respondents do not change the underlying premise that certain issues were not before the trial court when it granted summary judgment. There is abundant evidence that Defendants in this case willfully and deliberately used a patent they knew was invalid to destroy valuable new technology which competed with Defendants. Allen has never had an opportunity to put that evidence in the record and argue it before any court.

III. Reasons For Granting The Petition

A. Defendants' Concessions That They Did Not Move on Issues upon Which Summary Judgment Rests Evidence a Failure to Notice Non-Movant

1. Defendants' Concede They Did Not Move on the Misleading Issue

Despite Defendants' concession that they "did not move on a 'misleading' cause of action", (Opp. 23, n.6), the Federal Circuit affirmed the district court's grant of summary judgment *sua sponte* against Allen based on issues he did not know the court was considering. Defendants specifically omitted the "misleading" issue from their summary judgment motion, choosing instead to move on other grounds of literal falsity, deception, and causation. (Opp. 12, 13). Nevertheless, the district court looked beyond Defendants' motion and held that although a jury could find that certain statements to Picker were misleading, the misleading representation was not made in bad

faith. The district court did not ask for briefing on this issue and declined to hear oral argument in granting summary judgment *sua sponte* against Allen.

However, given Defendants' concession, Defendants admit that they did not brief the applicability of the Lanham Act with respect to Defendants' misleading marketplace representations. Without notice that Defendants were moving for summary judgment on the misleading nature of its statements, Allen was under no obligation to present evidence to avoid summary judgment. Indeed, Allen pointed out in briefing before the district court that he need not address whether Defendants' misleading representations were made in bad faith to defeat Defendant's summary judgment motion because the issue was not discussed by Defendants.

Because Allen did not receive notice, he was not afforded an opportunity to present evidence and argument in opposition to an issue that Defendants never raised. Under *Celotex*, the non-movant bears the burden of responding *only after* the moving party has met its burden of coming forward to show the absence of evidence to support one or more essential elements of the non-movants' case. *Celotex,* 477 U.S. at 324-25. By expressly conceding that they did not move on any misleading representations, Defendants clearly have failed to meet their burden.

Summary judgment may be granted *sua sponte* only with proper notice to a non-movant. By affirming the district court's decision in a *per curiam* disposition, the Federal Circuit condoned the propriety of granting summary judgment against a non-moving party without notice. This directly conflicts with this Court's ruling in *Celotex*, as well as the holdings of other federal appellate courts. *See Chambers Dev. Co. v. Passaic County Util. Auth.*, 62 F.3d 582, 584 n.5 (3d Cir. 1995); *Massey v. Congress Life Ins. Co.,* 116 F.3d 1414, 1417-18 (11th Cir. 1997); *Pinaud v. County of Suffolk,* 52 F.3d 1139, 1160 (2d Cir. 1995).

2. Defendants' Concede They Did Not Move on the Bad Faith Issue

Defendants' frank concession before a panel of the Federal Circuit during oral argument that they failed to move for summary judgment on the issue of bad faith belies their argument before this Court that they raised the potentially dispositive issue. (Opp. 19). Equally without merit are its assertions that the issue was properly before the court because Allen raised bad faith in his responsive briefing, and in connection with *Allen's* narrowly focused *partial* summary judgment motion. (Opp. 19-22). In their Opposition, Defendants claim that "in their opening brief [they] identified evidence which . . . demonstrated the absence of a genuine issue of material fact on the issue of bad faith." (Opp. 19). Nonsense. It is clear that Defendants presented no facts or argument on this issue. In fact, when pressed for a straight answer before the Federal Circuit, Defendants' counsel backtracked, conceding they did not move on bad faith:

> HUTZ: . . . the issue of bad faith was never conceded by the Defendants in their motion for summary judgment.
>
> JUDGE NEWMAN: No, it looks very clear as if the defendant didn't want the question of good or bad faith to be on the table, sir.
>
> HUTZ: That was not an issue that we moved on in our original motion for summary judgment and I will certainly concede that.

This concession is further evidenced by Defendants explicit waiver of any reliance on that issue in their summary judgment reply brief: "Defendants will not address Allen's accusations regarding bad faith conduct here because they are not relevant to Defendants' motion." (Ldg at L-3). As if that were not clear enough, Defendants stated that they were assuming for purposes of their motion that they knew their patent was invalid, *i.e.*, bad faith. (Ldg at L-2). Defendants do not and cannot point to any place in their motion in which they clearly placed Allen on notice that he was required to prove bad faith.

Instead, Defendants argue that Allen's opposition to their summary judgment motion served as notice that bad faith was in issue. (Opp. 19). However, Allen specifically noted bad faith was "*not discussed by Defendants,*" (LCR at L21), and pointed out that he "need not address that element here to defeat their motion." (LCR at L24). Allen clearly did not regard himself as being on notice, and indeed was not on notice. Defendants also rely on the fact that Allen moved for partial summary judgment on bad faith associated with literal falsity, as if that could substitute for their own failure to do so. (Opp. 19-22). The Federal Circuit has previously rejected this contention. *Massey v. Del Labs., Inc.,* 118 F.3d 1568, 1571 (Fed. Cir. 1997).

Moreover, Defendants wrongly assert that Allen relied on the same evidence set forth in his answering brief as that in his partial cross-motion. (Opp. 20). Allen moved only on one of his three claims, and presented only one of several possible bases for finding bad faith in his own, narrowly crafted cross-motion. Even as to that basis, he relied principally on selective evidence unlikely to be disputed, such as Defendants' own admissions. Finally, Defendants chastise Allen for failing to identify in appellate briefing "the evidence of bad faith that he supposedly chose to withhold." (Opp. 21). However, they fail to note that such evidence is outside the record and, consequently, inappropriate for appellate review.

In sum, the district court did not afford Allen notice and an opportunity to address an issue that it found disposed of his cause of action. The court's actions are particularly egregious where, as here, the Defendants expressly conceded that the issues were not raised in their motion and they did not place Allen on notice that they were moving for summary judgment. When a party concedes an issue, that should be enough. This ruling contradicts this Court's precedent, and places an untenable burden on all non-moving parties by requiring them to anticipate and brief every imaginable issue. This would have an invidious effect on our courts by requiring them to sift through prolix briefing. By granting Allen's Petition, the Court could clear up

the confusion as to what the proper standard is for notice in summary judgment proceedings.

3. This Panel's *per Curiam* Decision Conflicts with Another Panel's Ruling in *Bemis* Regarding a Similarly-Situated Litigant

Although Allen is no different than the appellant in *Bemis*, the Federal Circuit there reached a contrary ruling. *Bemis Manufacturing Co. v. Dornoch Medical Sys., Inc.*, 21 Fed. Appx. 930 (Fed. Cir. 2001) (summary judgment vacated where no notice given). Defendants attempt to distinguish *Bemis* on the facts; however, they provide none. (Opp. 22).

B. Defendants Cannot Rely on Alternative Grounds

Defendants ask this Court to consider numerous alternative grounds which the district court did not address. There is no indication that any court relied on any of Defendant's alternative arguments. Where the merits have not been sufficiently developed by the trial court, an appellate court should decline to exercise its discretion to entertain alternative grounds. *Singleton v. Wulff*, 428 U.S. 106, 120-21 (1976). By permitting the lower court to address the merits first, a full record can be developed for appellate review. Examination of these alternative grounds requires extensive *de novo* review of testimony and evidence. Thus, review of these alternative grounds is a factually laden endeavor ill-suited for appellate consideration.

C. By Arbitrarily Designating its *per Curiam* Order as Non-Precedential, the Federal Circuit Panel Treats Similarly-Situated Litigants Unequally

The practice of designating judgments as non-precedential violates the Fifth Amendment right to equal protection and due process because it allows a court to depart from binding precedent, leading to unequal treatment of similarly-situated litigants. As a result, this practice permits courts to immunize their inequitable dispositions from further judicial scrutiny. This permits the court to "create an underground body of law good for one place and time only" and that courts may "choose for themselves, from among all

the cases they decide, those that they will follow in the future and those that they need not." *Anastasoff v. United States*, 223 F.3d 898, 904 (8th Cir. 2000), *vacating on other grounds*, 235 F.3d 1054 (8th Cir. 2000). "This discretion is completely inconsistent with the doctrine of precedent." *Id.* at 905.

Defendant mischaracterizes Allen's petition by wrongly assuming his real constitutional challenge is raised with respect to the practice of issuing judgments without opinions under Fed. Cir. R. 36. (Opp. 27). "The question presented here is not whether opinions ought to be published [or issued], but whether they ought to have precedential effect, whether published or not." *Id.* at 904. Allen challenges the constitutionality of Rule 47.6 because the Fifth Amendment violation lies in a court's *disposal* of an appeal (regardless of whether it issues a formal or *per curiam* opinion) that may *not* be cited as precedent under Rule 47.6. This designation results in a judgment applied to one litigant–and that litigant only.

Defendants proffer the idea that a case in which a non-precedential published (rather than *per curiam*) opinion would perhaps be more worthy of this Court's review. However, the constitutional violations are more egregious where courts issue *per curiam* judgments that merely rubber-stamp decisions[1] contrary to binding precedent because there is less judicial reasoning for the bar to scrutinize, thereby secreting justice. Likewise, *per curiam* judgments greatly diminish opportunity for appellate *en banc* review.

Defendants also suggest that striking Fed. Cir. R. 47.6 would have far-reaching implications "in every federal circuit." (Opp. 27). However, they fail to note that the D.C. Circuit has already adopted a contrary rule permitting unpublished non-precedential judgments or orders to be citable as precedent. D.C. Cir. R. 28(c)(1)(B). Further, the Eight Circuit in *Anastasoff* had declared a rule limiting use of non-precedential judgments as unconstitutional before it vacated the ruling on other grounds.

1. A *per curiam* order effectively adopts a lower court's opinion. *Batterton v. Francis*, 432 U.S. 416, 423 (1977).

And although the *en banc* court understood the issue was of great significance, it nevertheless denied review of the "open question." *Anastasoff*, 223 F.3d at 904. By granting the Petition, the Court could resolve this rules conflict.

Finally, Defendants suggest that Rule 47.6 is necessary to permit a court to effectively manage its case load because, their argument goes, courts "do not have time to do a decent enough job . . . to justify treating every opinion as precedent. If this is true, the judicial system is indeed in serious trouble, but the remedy is not to create an underground body of law good for one place and time only. The remedy, instead, is to create enough judgeships to handle the volume." *Id.* at 904. Further, to alleviate their burden, courts can issue abbreviated opinions or merely adopt the lower court's opinion–all of which do not necessitate non-precedential denomination. Ineffective case management is not an excuse for creating less thorough, less careful and less reasoned judgments which lack uniformity. Courts' discretion to designate judgments as non-precedential should not "allow[] us to depart from the law set out in such prior decisions without any reason to differentiate the cases. *Id.* at 905. To permit otherwise would not allow the law to expand and change "in response to the dictates of reason, and not because judges have simply changed their minds." *Id.*

IV. Conclusion

The Court should grant this Petition to address the constitutional issues raised in issuing non-precedential judgments and revisit summary judgment notice requirements under *Celotex*.

Respectfully submitted,

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